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NEWS SUMMARY

BUSINESS

Gilts, equities drift; Gold \$3 1/2 off

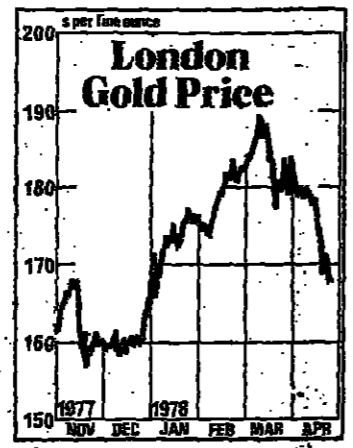
WALL STREET closed 7.53 up at 833.59 after the second heaviest trading day on record.

EQUITY prices eased in late trading, with the FT Ordinary share index 0.3 up at 460.7.

GILTS drifted lower in nervous trading, in response to the continued weakness of sterling. The Government Securities index closed 0.41 down at 71.47.

STERLING lost 85 points to \$1.8150, its worst closing level against the dollar since November, 1977. Its trade-weighted average fell to 61.2 (61.5). The dollar eased a little and its depreciation widened to 4.75 per cent. (4.52).

GOLD lost 75 cents to \$167 1/2 on the London market, while in



New York the Comex April settlement price was 10 cents down at \$167.40.

U.S. TREASURY bill rates were, three 6.294 per cent. (6.14), their highest since April 10, and six 6.777 per cent. (6.593), their highest since January 9.

WEST GERMANY's trade surplus has dropped slightly in the first quarter of 1978, while its surplus on current account shows a marked increase, Back Page

New head for NEDO

NEW DIRECTOR-General of NEDO is to be Mr. Geoffrey Chandler, a senior executive of the Royal Dutch/Shell Group. Page 7

CBI has warned that unless the Chancellor amends his proposed tax cuts, Government industrial strategy will fail. Back Page

ACCOUNTANTS firm Price Waterhouse has been told by the Department of Employment that payment of "loyalty" bonuses to staff would be a breach of pay guidelines. Page 9

BRITISH LEYLAND is to spread the first £25m of its cash programme to doubling the output of its Land Rover and Range Rover models, before the project has been approved by BL Board. Page 7

Meanwhile union leaders will meet BL management to-day to see if there is room for improvement in redundancy terms offered to the Speke assembly plant workers. Page 9

CHRYSLER U.K.'s £21.5m loss last year—reached in a period when the company expected to break even—has been blamed on poor labour relations at Linwood.

SUN LIFE Assurance of Canada participating policyholders have approved the Board's controversial decision to move its head office from Montreal to Toronto.

NGC is to spend £130m. on development of a new pit in Staffordshire, with an estimated annual production of 2m. tons, employing 1,400 men. Page 8

LETRASET has made a £13m. agreed bid for J & L Randall, a toy company, in order to raise the equity base and borrowing ability before making a further bid. Back Page and Lex

STOCK PRICE CHANGES YESTERDAY

in pence unless otherwise indicated

Table with 2 columns: Stock Name, Price Change. Includes entries like (Wm.) 100 + 11, on Clark 181 + 11, vel Islands Cap. 450 + 35, (M.) 130 + 8, in (R.) 232 + 8, 107 + 7, components 358 + 9, SSS Withy 231 + 10, tper A 186 + 7, 270 + 4, 188 + 9, ood Williams 87 + 4, n (S.) 114 + 45, Royce 86 + 3.

Table with 2 columns: Stock Name, Price Change. Includes entries like Rothchild Inv. 154 + 9, Silenight 82 + 9, Tozer Kemsley 31 + 4, BP 789 + 15, Castelfield 237 + 5, Gutterie 130 + 14, Anglo United Dev. 340 + 12, De Beers Deft. 385 + 40, Northgate Exptn. 385 + 40, Westfield Minerals 83 + 10.

Forces promised pay parity with civilians by 1980

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

The pay for all members of the Armed Forces will be raised by about 14 per cent. from April 1 this year as part of an overall plan to restore their pay to levels comparable with those in civilian life by April 1, 1980.

This decision, announced in the Commons yesterday by Mr. James Callaghan, stems from Government acceptance of the report from the Armed Forces Pay Review Body, also published yesterday.

The forces will get an immediate rise of 10 per cent. in the "military salary," with another 3 per cent. adjustment in the "X-factor"—a special allowance that takes account of the hazards of a serviceman's life.

Another 1 per cent. will come from further rises for special duties and from the effect of a standstill in charges for accommodation, pending a study of these by the review body.

The extra pay for forces in Northern Ireland will rise by 50p to £1 a day. Food charges will rise by £1.33 a week (18p a day), from £8.51 to £7.84 a week.

The net effect of all these changes in 1978-79 is estimated to be an addition of about £20m. to the forces' overall bill for pay and allowances of about £1.5bn. a year. The rises were described by Mr. Callaghan's "quite substantial sums" that "should not be sneezed at."

Mr. Callaghan said that he had accepted the contention that pay rises of between 10 per cent. and 35 per cent., according to rank and length of service, or an average of about 22 per cent., would be needed to restore Services' pay to levels comparable with those in civilian life.

The Government had accepted that this restoration to full comparability should be undertaken, with a target date for achievement of April 1, 1980.

This would involve two further pay rises, of approximately equal amounts, on April 1 next year and in 1980. "We shall restore comparability and we shall restore it more quickly."

For the Liberals, Mr. Emyln continued on Back Page

ARMED FORCES PAY RATES table with columns: Rank, Current, Recommended. Includes Brigadier £10,209 to £13,501, Colonel £8,689 to £11,300, Lt. Col. £7,262 to £9,505, Major £5,623 to £7,300, Captain £4,641 to £5,778, Lieutenant £3,819 to £4,650, 2nd. Lieut. £3,136 to £3,749.

All the rates are for officers on appointments; higher rates prevail for long service. Equivalent rates apply for corresponding ranks in the Navy and RAF.

Mr. Callaghan, while corporals would get £8 to £10 and sergeants £9 to £11 more. "We have tried to give the forces a square deal consistent with the recovery the country is now engaged in."

The Prime Minister's statement was immediately attacked by Mrs. Margaret Thatcher, Leader of the Opposition, who claimed the Government had "failed lamentably to provide the levels of pay the Services need and deserve."

The forces, she claimed, had been let down, and the Premier's statement meant "they will continue to be let down for some time to come. We shall restore comparability and we shall restore it more quickly."

Continued on Back Page

Parliament, Page 10

Editorial comment, Page 16

Occidental chief attacks North Sea oil policies

BY BRUCE ANDREWS AND RAY DAFTER

BRITISH National Oil Corporation and Government oil policies have come under renewed attack from another of their North Sea partners.

Mr. Bob MacAllister, president of Occidental International Oil—the European and African wing of the U.S.-based Occidental oil group—in a letter to all U.K. employees, says it is the "unpublished objective of the Socialists eventually to put the rest of us out of business."

He also alleges that the State oil corporation is delaying exploration activity and hindering business deals relating to changes in offshore operating groups.

The statement follows the attack on the corporation earlier this month in an ITV programme by Mr. George Keller, vice-chairman of Standard Oil of California.

The row that followed those remarks may well be rekindled by the Occidental outburst. In an attempt to gauge the relationship between the state oil corporation and the private sector, senior officials of the Department of Energy are now conducting a series of confidential meetings with oil companies.

In his letter to staff—designed to provide a background to the television programme in which Mr. Keller made his outburst—Mr. MacAllister says: "We have developed, and try to maintain, an amicable and productive working relationship with them (BNOC)."

Indeed, it is understood that Mr. MacAllister has sent a friendly letter to Lord Kearton, the corporation's chairman and chief executive, to explain the reason for his remarks. The Department of Energy has also been informed about the internal memorandum.

The letter says that the presence of the corporation as a mandatory 51 per cent. participant in every block awarded in the recent fifth round of licences delayed the formal allocation of concessions by about one year. After the Occidental group had been awarded the block the corporation held up the start of drilling for a further three months.

"Thus, the contribution of BNOC so far has been to slow and delay exploration of British continental shelf areas," the letter continues.

It is understood that the corporation wanted to give further consideration to the geological prospect in the block in question—14/18—and to make sure that the drilling rig used for the exploration programme was British.

Coincidentally, it is learned that the Occidental/BNOC group has made what appears to be an oil discovery on the block which lies next to the Occidental consortium's Claymore Field.

the purchase price, but the Figaro offices, acquired from the widow of its former owner, perfume manufacturer Francois Coty, are thought to have changed hands for about £10m.

When completed in 1980, the development will offer about 100,000 square feet of lettable offices, two restaurants and 37 high-class boutiques behind a preserved facade.

The Paris venture comes less than two months after the announcement that Heron Corporation had raised £17m. in medium-term loans.

Mr. Ronson said yesterday that this would wipe out all the short-term borrowings in the balance sheet.

Mr. Ronson has never disclosed

Heron £40m. Paris development

BY CHRISTINE MORR

HERON CORPORATION, the property-to-petrol-stations group, yesterday unveiled a £40m. development on a site which includes the former Figaro newspaper offices in the Champs Elysees, Paris.

The scheme is one of the biggest property schemes undertaken by a British developer in Europe, and is also the first substantial project to be started by the British there since the 1973 property crash.

The development involves Heron in two partnerships. In the first place, 50 per cent. of the freehold has been acquired by the Union Assurance de Paris, the largest State-owned insurance group, whose building subsidiary

the SECL is also to be project manager.

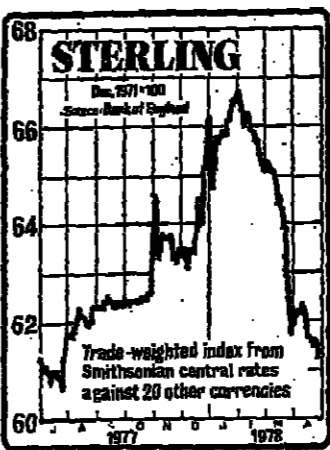
The remaining 50 per cent. is split on a 30:20 basis between Heron and Keyser Ullmann.

Each partner has raised its own finance. In the case of the British partners through five-year rolling loans from Credit Lyonnais.

Mr. Gerald Ronson, Heron chief executive, explained yesterday that the site had taken him nine years to piece together, steer through the stringent Paris planning regulations, and fund.

The two key elements of the site, the Figaro building and the adjacent former Intrac Bank building, were acquired in 1972.

Mr. Ronson has never disclosed



Sterling falls sharply

By Peter Riddell, Economics Correspondent

Sterling fell sharply yesterday in spite of Bank of England intervention. The nervousness was reflected in domestic money markets.

The pound's trade-weighted index fell by 0.2 to 61.2, the lowest level since last July, while sterling dropped by 85 points against the dollar to \$1.8150, slightly above the day's low.

Dealers reported persistent small selling from commercial and other operators which the authorities were able only partially to offset by support.

There was no obvious reason for the decline yesterday though a feature was the fall against the main continental currencies. This is in contrast to the last week or two when sterling's weakness mainly reflected the dollar's recovery.

Since the Budget a fortnight ago sterling has declined by more than 31 per cent., compared with the dollar while the trade-weighted index against a basket of other currencies including the dollar has dropped by 17 per cent.

This index has now declined by 81 per cent. since its peak in early February which has at least removed some of the earlier fears about the erosion of Britain's competitive position.

The authorities want to avoid a further rapid depreciation as demonstrated by their recent intervention, but there is no great nervousness as yet, since the selling has not been massive so far.

Nevertheless, the official support during April has been much the largest since 1976. The weakness of sterling was reflected domestically in a rise in money market interest rates on fears of an early rise in Minimum Lending Rate.

Considerable efforts had been made to keep the meeting a secret. Ministers are worried that the public discussion would frighten some union leaders away because of the strong from reopening pay agreements tide of feeling among shop stewards and militants against July 31.

Table with 2 columns: Term, April 25, Previous. Includes 1 month \$1.130-\$1.140 to \$1.200-\$1.214, 3 months 1.054-1.074 to 1.080-1.094, 6 months 1.020-1.034 to 1.026-1.040, 12 months 1.010-1.024 to 1.016-1.030.

£ in New York

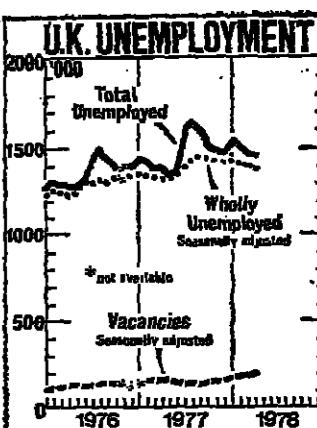
Jobless total falls again: vacancies rise

BY DAVID FREUD

ADULT UNEMPLOYMENT fell last month for the seventh consecutive time. The number out of work is now the lowest since last June, although it is still the highest for any April since the war.

At the same time, notified vacancies have continued to rise and are at the highest level for 34 years.

Mr. Albert Booth, Employment Secretary, said the successive monthly falls in unemployment since October were "a heartening trend for any Employment Secretary but even more in view of the dire predictions we read so frequently."



Regional map, Page 9

Sharing the burden, Page 14

Editorial comment, Page 16

According to Department of Employment the number of adults out of work in the U.K. fell by 12,900 in the month to mid-April to 1.39m., seasonally adjusted. The proportion of the workforce unemployed fell from 5.9 per cent. to 5.5 per cent.

Since last September the number out of work has fallen by 47,000, an average decline of 6,700 a month. Although the figures are relatively small, the school-leavers, at least 20,000 of whom are estimated to have joined the register.

Officials are encouraged by signs of a quickening in the speed with which people join and leave the register.

However, Whitehall will want to see the May and June figures before confirming that the unemployment trend has definitely turned.

The unadjusted unemployment total in the U.K., including school-leavers, fell by 9,208 to 1.45m. in the month to mid-April. The total for Great Britain fell by 11,496 to 1.39m.

Healey meets TUC

BY CHRISTIAN TYLER, LABOUR EDITOR

THE GOVERNMENT last night opened its attempt to secure any kind of accord. Although the TUC has set its face against a Phase Four of the incomes policy as such, and will not sign its name to an earnings target, the Government hopes that a policy similar to the present one, but more flexibly extended, will be broadly accepted.

TUC leaders met Mr. Denis Healey, the Chancellor, and other Ministers for dinner in Downing Street for the first formal discussions on the economy since the Budget.

Considerable efforts had been made to keep the meeting a secret. Ministers are worried that the public discussion would frighten some union leaders away because of the strong from reopening pay agreements tide of feeling among shop stewards and militants against July 31.

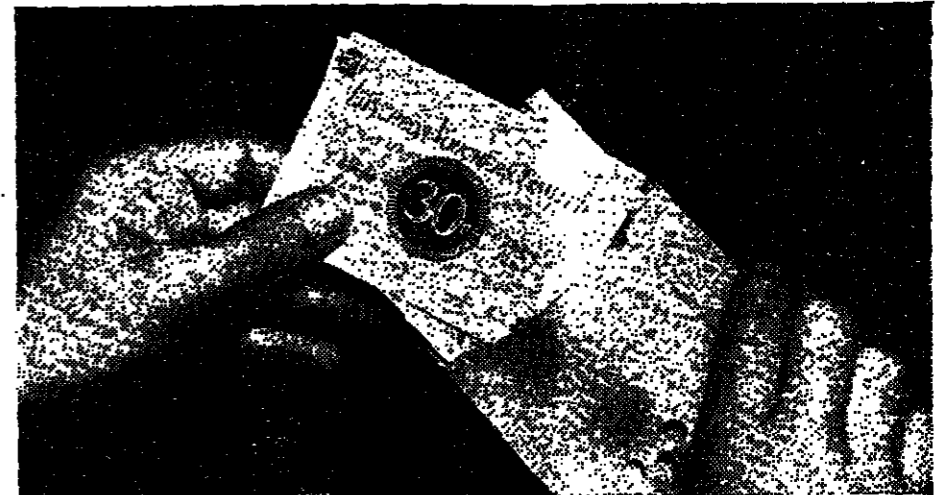
any kind of accord. Although the TUC has set its face against a Phase Four of the incomes policy as such, and will not sign its name to an earnings target, the Government hopes that a policy similar to the present one, but more flexibly extended, will be broadly accepted.

It is believed to be particularly anxious that the TUC should lend its continuing support to the principle that pay deals should be 12 months apart. As at the start of the Phase Three 10 per cent. policy, the badly need to dissuade unions away because of the strong from reopening pay agreements tide of feeling among shop stewards and militants against July 31.

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EUROPEAN NEWS

BIS president warns on currency disorder

BY CHARLES BATCHELOR

THIS YEAR could be "crucial" for solving the problems of the disorder of world currency markets. Dr. Jelle Zijlstra, President of the Dutch Central Bank, and also of the Bank for International Settlements, warned today. Unstable currencies inevitably encourage latent protectionist tendencies, he said in the Bank's annual report.

He urged the U.S. authorities to finance part of their current account balance of payments deficit by issuing medium-term loans denominated in the currencies of the other industrialised countries.

Putting this form of external financing into practice would not be simple, but the difficulties could be overcome in consultation with the potential creditor countries, he said.

Good progress has been made towards solving the problems thrown up by the sharp increase in oil prices, but a new balance of payments pattern now appears to be emerging, according to Dr. Zijlstra.

This is more complex than the relatively simple structure existing before 1974, when the developed countries financed the less-developed countries with their surpluses.

Now the industrialised countries, defined by Dr. Zijlstra as the Group of 10 and Switzerland, are split into two groups. The U.S. is now running a large deficit, while the remaining countries have a substantial surplus — estimated at \$14bn. in 1978.

The industrialised countries are still in a position to finance the deficits of the traditional

deficit countries, provided enough holders of dollars can be found. The sharp fall of the dollar against the Deutschmark, the Swiss franc, the guilders and the Yen shows that this is no longer the case.

Central banks have become holders of dollars reluctantly taking over from the usual private holders, in order to maintain the dollar's value against other currencies. This new disturbing factor is without doubt a break on the development of the world economy, Dr. Zijlstra said.

Mistrust of the dollar and the fall in its value have created a vicious circle which has pushed it lower in recent months. The volume of dollars is so large that the currencies which act as an alternative for investors are not sufficient to restore the

balance of the market. Further the appreciation of these alternative currencies threatens to be as strong as to slow down the growth of the corresponding countries. These cannot then expand without unacceptable risks of an increase in inflation.

The U.S. authorities could cut oil imports and reduce their payments deficit but this would take time. A slowing-down of economic growth in the U.S. is in no-one's interest according to Dr. Zijlstra. The U.S. is now belatedly taking steps to solve its problems, although a coordinated programme would have been more effective.

It has increased its intervention on the foreign exchanges and committed its reserves in the form of gold, Special Drawing Rights and ordinary drawing rights. As a final measure it

could float foreign currency loans, Dr. Zijlstra said.

Hopes for a further decline in inflation to a rate of 4.4 per cent, and the stabilisation of money supply growth around seven per cent are two favourable aspects of the Dutch economy in 1978.

However prospects for the profitability of industry and levels of employment are not so positive. After an unexpectedly high rate of increase last year, investment growth is again expected to fall back.

Despite this, if Holland could re-establish an improvement in company profitability it would be going in the right direction. To achieve this, the share of taxes and social security premiums in the national income must be held steady, Dr. Zijlstra said.

AMSTERDAM, April 25.

BELGIAN STEEL INDUSTRY

Painful prescription

BY DAVID SUCHAN IN BRUSSELS

IS THE TINDEMANS Government trying to buy up parts of the Belgian steel industry on the cheap? It could be one result of the scheme which Mr. Willy Claes, Socialist Economic Affairs Minister, is trying to get the companies, their financial backers and unions to accept a "round table" steel conference in mid-May. The idea is that the state might accept shares in payment of interest on nearly Belgian Fr. 30bn. (\$490m.) which it has on loan to the industry—and it should be added, that big private shareholders might do the same. Much would turn on the valuation of the shares, but they are presently quoted on the stock market at "basement bargain" prices.

The aim, however, of the non-discriminatory Claes scheme, to be no more Machiavellian than to remove some of the oppressive burden of debt servicing from the sick Belgian steel sector, without greatly adding to the state budget, is a virtually non-existent public sector in industry, and the moderate Conservative-Socialist coalition government seems to want to keep it that way.

At stake is the future of the Belgian steel industry, together with the jobs of 70,000 people, the world's ninth largest producer, and the second largest exporter, at 1.6 tonnes of steel for every inhabitant of the two countries. It is the biggest per capita producer. But since 1975 it has lost a third of its market share, and its indebtedness has doubled, and it has shed some 9,000 jobs in the last 18 months.

The Government's starting point is a confidential report. For over a year McKinsey, the U.S. management consultants, have been labouring on the future of the Belgian steel sector, and at the request of the Luxembourg Government, on that of the Grand Duchy, too. Their basic conclusion is gloomy: that European steel exports will never again reach past levels, because of non-European competition, and that the EEC market, now like the U.K. in the early 1960s, is approaching a position where it is no longer a net steel exporter.

From this follows a series of even gloomier implications for Belgium and Luxembourg. First, the narrowing of their tiny market, which means that more than 80 per cent. of production has to be exported, makes it highly vulnerable to other European steelmakers turning their marketing effort inward. The EEC guideline price—introduced last year to help lift internal prices off the floor—makes less difference to the Belgians and Luxembourgers since they depend more on exports outside the European Community than others.

Second, Belgians and Luxembourgers have to pay a "prime de pénétration," in other words, sell 3.7 per cent. below other European producers to get into that, the Belgian steel industry and Luxembourg have about the highest wages, electricity and coal costs in the EEC. Productivity (212 tonnes per worker in 1976) is good, but not good enough to compensate.

To this must be added a product mix that is not attractive—roughly 30 per cent. in so-called "long" products which are low in added value, easily imitable by any emergent Third World steel mill, and in surplus at present. Belgo-Luxembourg

steel is vulnerable in a depression because much of its production goes to the capital equipment and building sectors. But it is generally weak in higher value flat products (used in the car industry, for instance) and specialised steels. Technically, McKinsey rates its plants as comparable with that of W. Germany, France or the U.K., but with too many old-fashioned blast furnaces, not as good as Japan, Holland or even Italy.

This is McKinsey's diagnosis of the financial haemorrhage that has led to an increase in long- and medium-term debt to 3,500,000, whose servicing now takes an average 6.5 per cent. of total turnover. This is a level reached only by state-

deal with the State; Cockerill (the biggest steel company), and Ma Monceau and Hainaut (both in the same group, main shareholders in the Société Générale de F. Cockerill (controlled by the Group Bruxelles). Mr. Claes is now trying to persuade the holding companies to increase their steel output, the basis that if they are to grow, they must at least themselves by matching it.

The holding companies, keeping their cards close, chests, at least until the steel conference. But the proposal seems to have support from management unions. The socialist union federation publicly supports an immediate partial nationalisation of steel but private

CRUDE STEEL PRODUCTION PER CAPITA 1976	tonnes
Belgium and Luxembourg	1,670
Czechoslovakia	1,000
Japan	960
West Germany	880
Soviet Union	570
Canada	550
United States	530
United Kingdom	390

Source: Iron and Steel Institute

owned companies like British Steel and Italcrist, or state-subsidised concerns like the French companies Usinor and Sacilor. Of total financing, debt as compared to shareholders' equity has risen from 46 per cent in 1974 to 69 per cent last year.

The U.S. consultants suggest the short-term cures are basically two-fold. First, while noting the efforts the steel companies have made recently to shed personnel, close old plant and tighten internal cost controls, it urges more drastic action. A further 75,000 workers should go within the next three years, and some 2.5m. tonnes of crude steel capacity (11 per cent. of total Belgo-Luxembourg capacity) and 3.5m. tonnes of hot rolling plant (16 per cent. of capacity) should also go in the same period.

Second, any new investment should be designed to save on manpower rather than to increase absolute production. Investment should be made with a close eye on the market. The lay-offs and closures suggested would raise capacity use to 70-80 per cent., depending of course on whether demand rises at all in the next three years.

Government, employers and unions seem broadly to agree on the McKinsey report. They all recognise that painful lay-offs and closures need to be made.

But the employers feel that some of the "winding off" of their plants is obsolete is too arbitrary and does not take management factors into account, and that the "American standards" McKinsey uses to measure profitability are too high.

McKinsey wisely leaves financial solutions to the politicians. The scheme that Mr. Claes favours has yet to receive the approval of his Cabinet colleagues. But it has been clear for some time that any Belgian Government of whatever political colour would not produce any more cash for steel without securing some control on its use. In any case, only the most indebted companies might want to do a "shares for debt relief"

major issue of the May meetings. The other is a turning the industry by co-ordination agreements, and mergers, perhaps going to Belgium, McKinsey stresses. Belgian companies should outside partners, with other companies, dealers or steel to overcome the handicap their home market, beginning to happen in the steel plant, which is not to any financial talks with Belgian Government, but much part of the restructuring.

Arbed, is now the pivot of a group of companies that will stretch from the German through Luxembourg, to coast of Belgium. Arbed's steel output last year topped 1.5m. tonnes, despite thumping (of Lux Fr. 4.5bn. in 1977) still a rich company for years before 1975 with debt ratio. In the past months it has acquired a total control of Saar Steel, relief of the Bonn government, and a controlling interest in Luxembourg's only other company, MIRA. In addition, controlling Sidmar, one of the most successful Belgian steel companies, it is now negotiating the Charleroi companies and Hainaut-Sambre chief rationalisation production. One complex deal is like come a specialisation agreement affecting four steel works of Sidmar.

This leaves two other steel regions: a number of "independents," Clabecq, Clabecq, and Clabecq in Southern Belgium. Cockerill on its own moment. But Cockerill is looking abroad for partners, the names of the Dutch-Gebr. Estel and of Kij have been rumoured, but they would technically complement the Liege-based company. Production and investment agreements, certainly of the that Arbed and the Clabecq companies are talking about, but they would be partly by a prettier 25 per cent. Commission, at least its industry Committee, Viscount Etienne Davignon appear to feel that the here outweigh legal

Orlov appeals for charges to be dropped

By Our Own Correspondent

MOSCOW, April 25. DR. YURI ORLOV, the imprisoned Soviet dissident, and his lawyer, have appealed to Soviet authorities to dismiss the charges of anti-Soviet agitation against him, according to Dr. Andrei Sakharov, a winner of the Nobel peace prize.

Dr. Sakharov said that Dr. Orlov's lawyer, Mr. Y. Shalman, took the unusual step of appealing himself because he believed there was a lack of evidence.

Dr. Orlov, leader of the "Helsinki" human rights group, has been held incommunicado since his arrest 14 months ago at Moscow's Lefortovo KGB investigative prison.

Mr. Shalman yesterday finished reading the prosecution case to Dr. Orlov, according to Dr. Sakharov. This may mean that a trial is imminent. Mr. Velen Resnikova, the lawyer for another Helsinki group member, Mr. Alexander Ginzburg, was to complete reading the prosecution case to him on Saturday, Dr. Sakharov said.

Spain to build major Canaries naval base

BY ROBERT GRAHAM

MADRID, April 25.

SPAIN IS to go ahead with the construction of a major new naval base in the Canary Islands later this year, according to Sr. Adolfo Suarez, the Prime Minister, who is currently visiting the islands.

Sr. Suarez said that the base, to be built on Greater Canary Island, would be able to accommodate the entire Spanish fleet if necessary, and would cost somewhere in the region of \$180m.

The base, he said, had nothing to do with Western defence policy, pointing out that the Canaries were anyway outside the defence zone of Nato.

Since the beginning of this year the Government has focused increased attention on the defence of the Canaries, where the bulk of the Spanish foreign legion are already garrisoned.

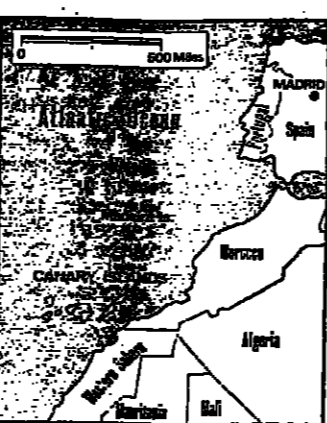
This is seen as a logical follow up to the Spanish withdrawal from the Sahara in 1976, and apprehension over the fate of the

former colony. The present Spanish Government has refused to support the Algerian-backed Polisario fight for an independent State in the former Spanish Sahara, and instead has sided with Morocco and Mauritania.

There is concern over the implications a potential Polisario victory might have on moves within the Canaries for independence.

The Canaries independence movement, MPALAC, has in recent months increased the number of terrorist attacks in the archipelago, especially against targets connected with tourism, one of the main sources of income for the islands' generally depressed economy.

The Government has also shown itself extremely sensitive to efforts by MPALAC, orchestrated from Algiers, to have the Organisation of African Unity declare the Canaries to be African and accept MPALAC as an African Liberation Movement.



Map of the Canary Islands showing the location of the proposed naval base.

This has prompted two diplomatic missions to friendly African states within the last month.

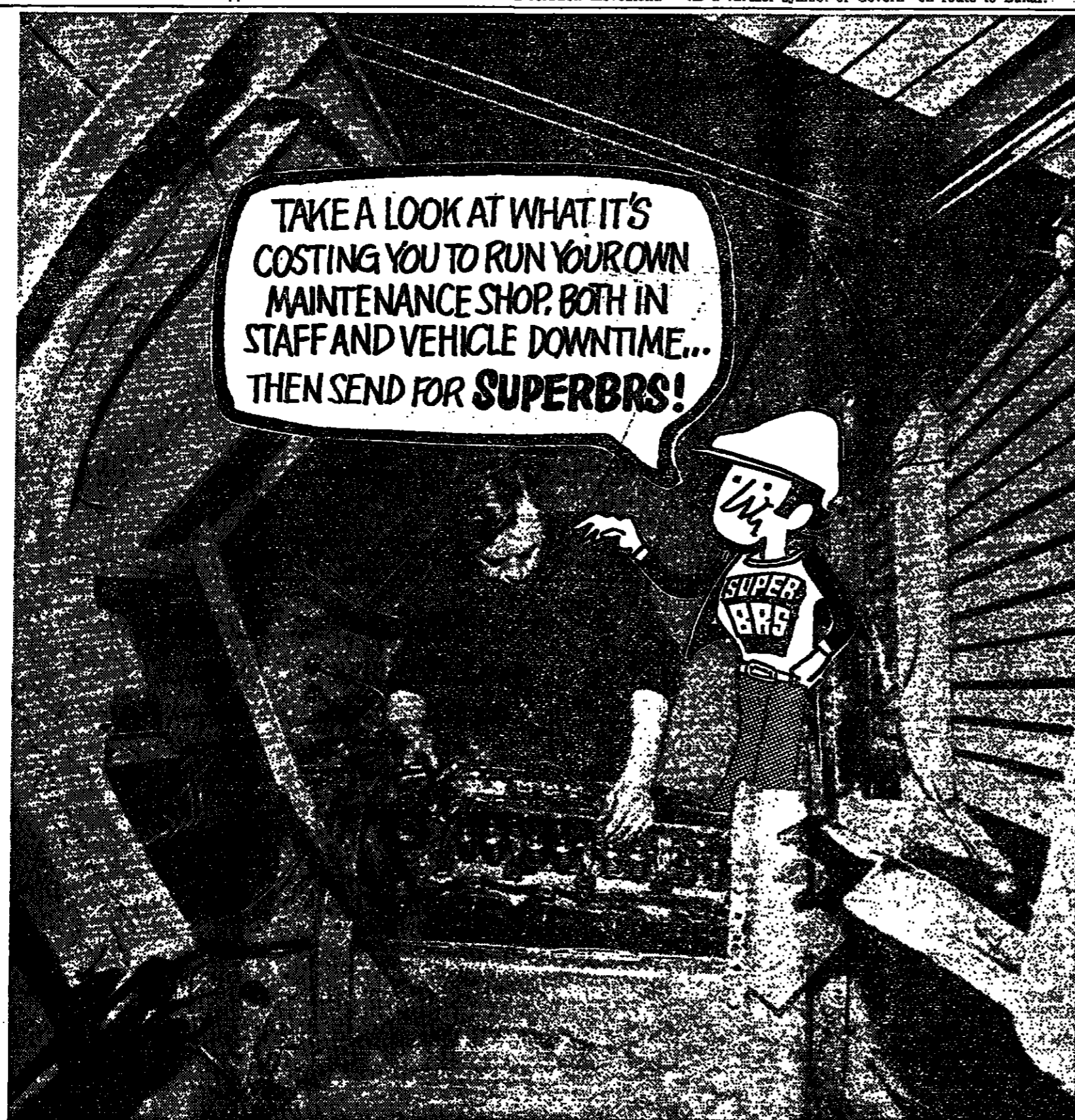
The Suarez visit itself appears primarily designed to make the Canaries feel that the Government cares about their interests. As a further symbol of Govern-

ment concern, Sr. Suarez has also announced that the Interior Minister, Sr. Rodolfo Martin Villa, will be president of the Canaries Regional Council.

These domestic reasons for the Government's focusing attention on the Canaries, have not dispelled a widespread feeling, especially among the opposition parties, that NATO is interested in the strategic development of the archipelago—and that it could be one of the most valuable strategic assets Spain could offer NATO.

The Canaries provide a useful potential base for controlling the shipping route round the Cape and are well placed to monitor west Africa.

The Americans deny that they have any major strategic military installations there at present, although some radar monitoring and reconnaissance is believed to take place. The Polisario meanwhile claims that the Canaries are currently being used by French military aircraft en route to Dakar.



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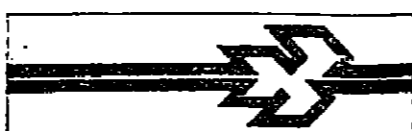
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Industrial production rises 5.5% in USSR

By David Satter

MOSCOW, April 25. SOVIET INDUSTRIAL production rose 5.5 per cent. during the first quarter of 1978, an improvement over the modest 4.5 per cent. growth target set in the plan but still below the pace of last year when industrial output rose 5.7 per cent.

According to figures released today by the Soviet Central Statistical Board, more than three quarters of the growth in industrial output was attributable to a 4.1 per cent. rise in the productivity of labour.

The Soviet news agency Tass said that all Soviet ministries and republics fulfilled their quarterly plan targets and said "particularly rapid development" was achieved in the chemical and petrochemical industry and the engineering and metal processing industry.

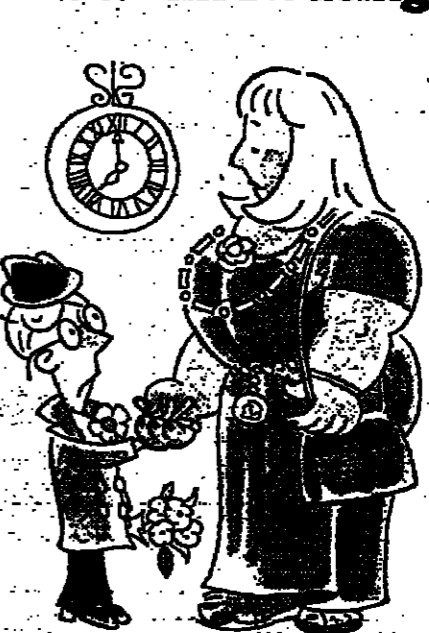
Figures for Soviet energy production show that oil, gas and coal production continue to expand but at slower rates than in 1977. Oil production (including gas condensate) came to 138m. tonnes during the first quarter of 1978, a 4 per cent. increase over the first quarter of 1977.

This rate of increase fell short, however, of the 5 per cent. in oil production for the whole of 1977 compared to 1976 which was itself the lowest annual percentage increase since 1970 and could indicate that Soviet oil production will reach a peak in the 1980s as was predicted in a published C.I.A. study.

Soviet gas production in the first quarter totalled 83bn. cubic metres, a 7 per cent. increase over the first quarter of 1977 but, once again, below the 1977 rate of increase over 1976. Coal production totalled 185m. tonnes, a 0.3 per cent. increase over the first quarter of 1977, but well short of the 1977 rate of increase over 1976 which was 2 per cent.

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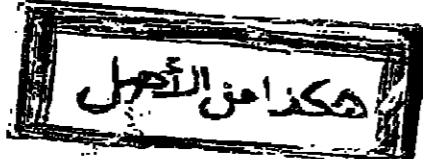
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Public service costs expected to be increased in France

BY DAVID WHITE

PARIS, April 25.

A RATCH of price increases for the state-owned electricity and gas Boards, EDF and GDF, is expected to be decided on by the Council of Ministers, the Prime Minister, a week after the end of the month. The expected increases are in most cases, below those which the public service bodies have been pressing for. The EDF electricity Board recently put in a claim for a 16 per cent rise in 1978, and a similar one next year, in order to stop its already large financing gap from getting out of hand. A further increase later in the year is not ruled out. As matters stand, the Government can expect little relief from the increases in terms of the overall budget burden imposed by public sector subsidies. These are expected to amount to Frs.30bn. this year. At the same time, anticipation of the price increase in rail fares, which is expected to be 10 per cent for passenger traffic and 12 per cent for freight, following a rise of 8 per cent in 1977, is thought likely to be a factor in the Government's decision to raise the 1978-79 budget deficit to Frs.300m-odd. Increases of 11 and 9 per cent respectively are anticipated at upturn in inflationary trends.

Marchais faces criticism

BY ROBERT MAUTHNER

PARIS, April 25.

THE LEADERSHIP of the French Communist Party, including Mr. Georges Marchais, the Secretary-General, is expected to come under intense pressure at a two-day meeting of the Party's Central Committee to-morrow. The meeting, at which the party's policy in the run-up to last month's general election and its future strategy will be hotly debated, is likely to be one of the most vital in its recent history. Not since the invasion of Czechoslovakia in 1968 has there been such a turmoil and have the decisions by its Political Bureau (Politburo) been questioned so critically or openly. Unable to express their views in the Party's daily newspaper "L'Humanité", leading Communist intellectuals have turned to other newspapers and magazines with no connections with the party to voice their frustration and anger. The attempts by M. Georges

Portugal requests aid during EEC talks

By Guy de Jonquieres

BRUSSELS, April 25.

PORTUGAL would like the EEC to start giving it economic and development assistance soon after it opens formal negotiations to join the Community. Mr. S. A. Machado, its recently appointed Foreign Minister, said to-day.

In return, the Portuguese Government was prepared to consider reshaping its industrialisation plans to meet EEC demands and to accept that restriction on the free movement of its workers to the rest of the Community would remain in force for some time after Portugal became a member.

Before the eventual membership treaty was signed, Portugal should make preparations, in co-operation with the EEC, to facilitate its integration into the Community. These, Mr. Machado said, should be aimed more at bringing about a transfer of resources than a transfer of people.

Mr. Machado was in Brussels for talks with Mr. Roy Jenkins and other members of the European Commission, which is due to publish shortly its formal opinion on Portugal's application to join the EEC. It will then be up to foreign ministers to decide, on the basis of the report, whether to open membership negotiations with Lisbon.

The Portuguese Minister said his country would need a fairly long post-entry transition period to adjust to membership, but was confident that it could accomplish the necessary changes within the ten-year period recommended by the Commission in its recent study of the problems posed by the applications of Greece, Portugal and Spain.

He said that he agreed with the study's general conclusions, which include a suggestion that the applicant countries should begin cutting back on national aids to industry and investment in sensitive sectors, like steel, textiles and ship-

ANDREOTTI'S REJECTION OF THE RED BRIGADES DEMANDS

Parties forced to take firm stand together

BY DOMINICK J. COYLE

TODAY, LIBERATION Day, the 33rd anniversary of the fall of Fascism, Italy's political parties are finally taking a firm stand together. This situation has come about not so much because the Red Brigades kidnapped Sig. Aldo Moro, the former prime minister but because the price demanded for his freedom has been seen as too fundamental a challenge to the already eroded authority of the Italian State.

Late last night the minority Christian Democratic Government of Sig. Giulio Andreotti gave a firm "no" to the terrorists' demand for the immediate release of 13 prisoners. Most of them were proponents of proletarian revolution; but some were no more than common criminals involved in kidnappings and armed raids for financial gain — although the apologists among them claim the

money was necessary to support the revolution. Sig. Andreotti dispensed even with the formality of consulting the other political parties, including the Communists, on whose parliamentary support his administration depends, before the brief and clearcut rejection was issued. Their views had already been made public: releasing prisoners was neither "legally practical nor morally possible."

Even the Socialists had abandoned their earlier stance that "every avenue should be explored to save Sig. Moro's life," and were now for no surrender. The ever-warring Christian Democratic factions now also seem finally to have closed ranks, despite the personal anguish which many of their leaders, perhaps most of all, Sig. Benigno Zaccagnini, the party's reformist

secretary-general—must feel for the fate of the party's president. Having earlier played their hand brilliantly—the psychological warfare, the false trails to the frozen lakes near Rieti in search of a non-existent body, the successful production of a division within the Christian Democrats into hawks and doves—the Red Brigades have pushed their price too high, leaving no room for compromise.

Humanitarian appeals from Pope Paul and the UN Secretary-General were crudely brushed aside as being no more than "concrete political and propagandist support" for the Christian Democrats. The intervention of Caritas, the charitable relief agency, as a potential mediator—a step inspired by the Christian Democrats to avoid the

party or Government being seen to deal directly—is now dismissed as an attempt by the party to "unload its responsibility."

Thirteen photographs featured last night in the main TV news bulletins and in most newspapers, showing the prisoners' criminal records finally confirmed the waverers that the price asked for Sig. Moro's life was too high. To concede it would be to weaken drastically the very authority of the State.

No one is anxious to say so publicly, but ministers know well that the Government's refusal of the Red Brigades' demand is likely to have sealed the fate of Sig. Moro. For the terrorists to climb down now would be for them a real defeat. Their options had been enormous. They could have demanded almost any cash ransom,

whether directly from the Government or the Christian Democrats, or from Sig. Moro's "close friends," an unidentified group which has managed to convey the impression that they were available for negotiations. They could have demanded massive food distribution programmes for the poor in the pressed southern regions, underlining their professed concern for social deprivation, and they would have won it, there seriously embarrassing the Government.

But above all, the Brigades want "political recognition"—be accepted by the existing establishment as a political force. They want the State against whose very core they claim to have struck deliberate blows with the kidnapping of Sig. Moro to capitulate. It was in the end too high a price to pay.

Common Market expands aid to non-Lome nations

BY MARGARET VAN HATTEM

LUXEMBOURG, April 25.

THE EEC Council of Ministers to-day decided to expand its annual aid programme to developing nations to include countries not associated with the Community.

Grants have been made until now on a regular basis only to countries included in the Lome Convention. Other grants—to Latin American and Asian countries for example—have been made case by case.

To-day's agreement came with the acceptance of a draft regulation long urged by Britain which follows more than four years of debate, essentially a post-colonial struggle between France and the U.K. Many former French colonies are covered by Lome, while the major former British colonies, such as India, Pakistan, Sri Lanka and Bangladesh, are not.

Mrs. Judith Hart, U.K. Minister for Overseas Development, said afterwards that the agreement was an important step forward

but that further major struggles lay ahead. The amount of money allocated to non-associated countries is not impressive—70m. European Units of Account in this year's budget.

The Council to-day approved the sub-division of this year's allocation as follows: 47.5m. EUA to Asia (principally India), 13.5m. EUA to Latin America, 5m. EUA to African countries not included in Lome (mainly Mozambique), 5m. EUA to be held in reserve and 1m. EUA for administration.

Criteria for allocation of funds, which will be assessed on a project basis, provide that priority should go to the poorest countries and to the most needy sectors of the population, with special emphasis on rural development and food programmes, and that an EEC presence should be established in the major regions of the developing world.

Bid to improve standard of auditing

By David Buchan

BRUSSELS, April 25.

THE EEC Commission has sent the Council of Ministers a draft directive to ensure that auditors in all member states are independent and properly qualified. The directive, which EEC officials hope might gain Council approval next year, aims to "provide shareholders, employees and third parties, such as creditors, with guarantees as to the audits carried out."

Officials say the directive, which complements previous ones in the company law field, will not change the situation in the U.K. and France, and will probably affect West Germany little.

In Italy there are no qualifications legally laid down for auditors carrying out the statutory annual check on company accounts, although the Milan bourse has now set some standards for the auditing of those companies it quotes.

Eanes calls for austerity and an end to bickering

BY JIMMY BURNS

LISBON, April 25.

GENERAL EANES, the Portuguese President, said to-day that celebrations marking the fourth anniversary of the downfall of nearly half a century of dictatorship should not be allowed to hide the country's deep economic problems.

"On this day, which should be one of happiness and confidence, words should not be used to hide or ignore the gravity of the situation," the President told Parliament in a speech televised to the nation this afternoon.

His grim speech accorded perfectly with the drizzle dampening the crowd outside. President Eanes urged Portugal to set aside political bickering and adopt a cold, realistic attitude that would accept a period of austerity.

He listed the removal of the army from politics, the lifting of censorship, workers' rights, greater social justice, and an end to international isolationism, as

the main achievements of the past four years. The President also underlined the rights of the private sector to contribute in an active way towards the solution of the present economic crisis.

A pluralist democracy implies that there should be an adequate balance between the public and private sectors, and that the latter should be guaranteed the necessary conditions which are indispensable so that its capacities of innovation and investment can be fully realised in the national interest," he said.

The President's speech preceded this morning by message to all military units which he urged them to resist attempts by politicians to use them for political ends.

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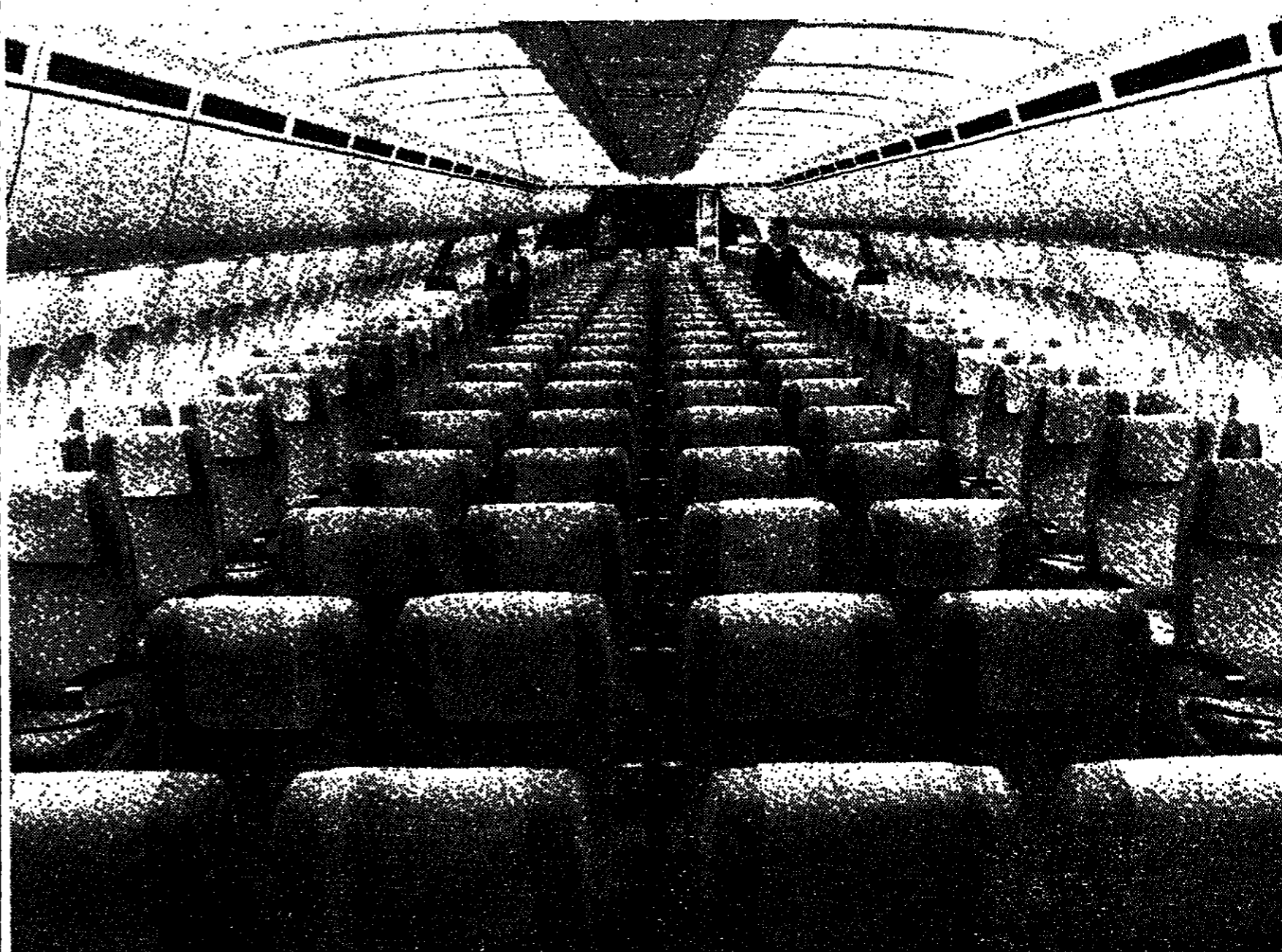
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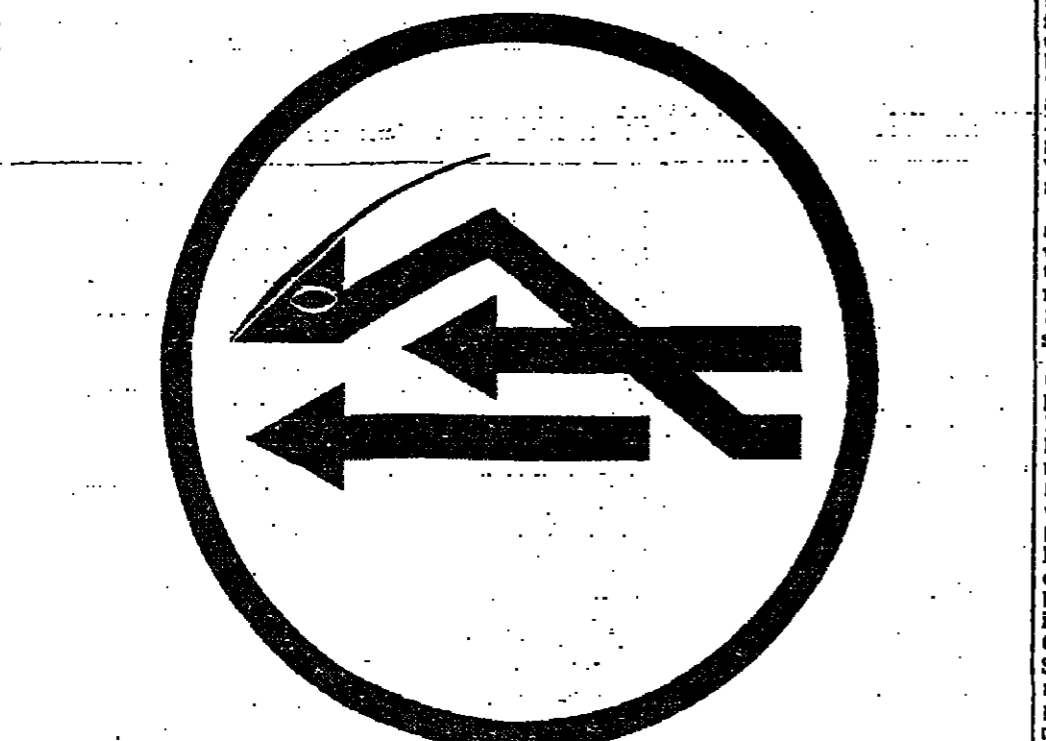
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Laying to rest a redundant nuclear reactor

By William Scobie in Los Angeles

WHILE ANGUISHED debate over the future of nuclear power drags on in the Californian legislature, during an election year, with energy the hottest of issues, workers in the bare Santa Susana mountains near Los Angeles are engaged in a unique piece of nuclear demolition. They are slicing up one of the earlier nuclear reactors and taking it, ton by ton, to a burial ground in the Nevada desert.

The operation, now drawing to a close, has taken more than a year and cost taxpayers some \$8m. The original reactor, called the Sodium Reactor Experiment (SRE), took two years and \$12m to build in the 1950s. After seven years of research it was "misused" and remained shut down until demolition began last year.

Officials of the Nuclear Regulatory Commission (NRC), the U.S. Government's licensing authority in Washington, see the work at Santa Susana as something of a test case. No long-term plan exists for the disposal of worked-out reactors. But the U.S. probably has several dozen experimental, or prototype, reactors no longer in use. The earliest of the big power reactors will be near the end of their life by the end of the century.

It is the hope of NRC officials that the painstaking demolition of the reactor will help demonstrate to the politicians that defunct reactors can be disposed of safely and satisfactorily. Until now such reactors have been either simply fenced off and placed under guard or sealed in concrete and sometimes buried under a man-made knoll.

The idea of hundreds of radioactive "graves" has alarmed many people, especially in earthquake-prone California. But the recent nuclear fuel, the most highly radioactive part of a reactor, is always removed before it is decommissioned. The internal steelwork especially remains radioactive for many years after that.

Congressman Leo Ryan, a Californian Democrat, calls the project "totally unacceptable, unworkable." Rep. Ryan, who chairs the House Environment and Energy subcommittee, has just completed a 70-page study of the whole field. He is clear about the need to clear the nuclear industry of its "major problem" of disposing of the 2,000 tons of spent nuclear fuel already stored at commercial reactor sites in the U.S. - a "major problem" he says. "The industry has been asked to store it for 10 years, but it is not prepared to do so," he says. "The industry is not prepared to store it for 10 years, but it is not prepared to do so."

Other politicians have begun to attack the NRC for not yet deciding what to do with old reactors. Hence the keen interest in the Santa Susana project, for which the Federal Government is paying. First, a full-scale facsimile of the reactor was constructed near by, on which they could practice. Then by bit it was sliced into small pieces using remotely controlled machines. Then work began on the reactor itself, a silo-shaped structure 30 feet high, buried beneath the ground.

The reactor is surrounded by walls of steel and concrete - the biological containment - 8 feet thick. The reactor vessel has been filled with water to help shield the demolition team from its radioactivity as they manipulate the reactor's remote-controlled flamecutters at the end of a long steel arm. All workers wear protective clothing. Even so, they leave the working area as a crane lifts the 4 feet square pieces of steel from the water and transport them to a storage pond, in readiness for shipment. When the job is finished and the crane and all other machinery used will also be chopped up and buried, along with some 550 tons of radioactive waste, at an isolated Nevada desert site. The 18,000 gallons of water used as shielding will be evaporated and the residue buried as well.

Atomic International, the nuclear engineering company which has the demolition contract, claims that its progress in recent months shows that reactors can be demolished safely.

Governor Jerry Brown of California is steadily hardening his opposition to nuclear energy. In 1976 he warmly approved a law prohibiting construction of more nuclear plants until a federally recognised system of waste disposal for their spent fuel had been worked out. In Nevada and New Mexico, states chosen to provide the nuclear burial grounds, protest is growing. A bill introduced into Congress by New Mexico's Senator Pete Domenici this month would give all states a power to veto the disposal of nuclear waste on their territory.

"We must be assured that these materials will never endanger human health and the environment," he says.

Such an assurance is obviously difficult to give - as it would be for any other technology. But since California passed its law insisting on "proven" technology, eight states have approved similar measures, while a further eight have such bills in progress.

Fed sticks to monetary targets

BY DAVID BELL

MR. WILLIAM MILLER, the chairman of the U.S. Federal Reserve Board, confirmed today that the Fed has moved within the past few days to "keep monetary growth within reasonable bounds over the long run."

As a result, he said in testimony before the Senate Banking Committee, "the money market has tightened a bit over the past few days." But the Fed was not proposing to change its monetary growth range targets for the year ending with the first quarter of 1979 and they would remain the same as those for the year ending with the fourth quarter of this year.

In a sombre review of the state of the U.S. economy, Mr. Miller said that while the immediate prospects for economic activity remained "favourable," the economy was still confronting serious problems, of which "inflation is undoubtedly the most troubling."

The chairman said that "cost pressure remains strong" and noted that wages in the private sector rose last year by almost 9 per cent, compared with an increase in productivity of only 2.5 per cent. The 1978 first quarter productivity figures, announced today, which show a 0.5 per cent drop, serve only to underline Mr. Miller's contention that "there is little likelihood of a sustained pick-up in productivity growth (and) rising unit labour costs can be expected to continue to exert considerable upward pressure on prices."

Mr. Miller welcomed the President's recent anti-inflation speech, and also the recent firming of the dollar in foreign exchange markets. He said that the Fed would "play its part in supporting the President's initiative by exercising appropriate restraint in the provision of bank reserves, credit and monetary growth."

But the Fed could not, alone, and it was important that the brakes be not applied too hard, even if "heightened inflationary expectations" were now deposits, is to grow between beginning to play their own part in pushing up prices and long-term bond and other interest rates. "The pace of deceleration (of the money supply) cannot proceed much more rapidly than the pace at which built-in inflationary pressures are writing out of the economy, if satisfactory economic growth is to be maintained," he said.

The chairman said that "credit-money supply in the past few months of 1977, so far this year, there has been a marked moderation of money growth, and that this has been brought about by the Federal Reserve's policy, which is to increase by between 7.5 and 10 per cent."

Reviewing the behaviour of the money supply in the past few months, Mr. Miller noted that the last few months of 1977, there has been a marked moderation of money growth, and that this has been brought about by the Federal Reserve's policy, which is to increase by between 7.5 and 10 per cent.

Finally, Mr. Miller underlined the uncertainties inherent in forecasting the monetary growth. Much depended on the velocity of money and the behaviour of M-2 and M-3 would be affected by the ability of inflationary expectations to attract funds into the existing regulatory cell on deposit rates.

U.S.-SOVIET ARMS LIMITATIONS USSR 'will not make neutron bomb'

BY DAVID SATTER

MR. LEONID BREZHNEV, the Soviet President, today described President Carter's decision to defer neutron bomb production as a "half-measure" but said that it has been "taken into account" and that the Soviet Union will not produce neutron weapons, as long as the United States refrains from doing so.

Speaking at the 18th Congress of the Soviet Komsomol, the Communist Youth Organisation, Brezhnev also expressed confidence that "by reciprocal efforts" based on "compromise" it will be possible for the U.S. and the Soviet Union to reach a new strategic arms limitation (SALT) agreement.

Mr. Brezhnev said that the Soviet Union, along with "other peaceful forces" is taking active steps to promote a ban on neutron weapons production by either the U.S. or the USSR but some progress was achieved during the visit of Mr. Cyrus Vance, the U.S. Secretary of State, to Moscow. He said that the Soviet Union would not produce neutron weapons, as long as the United States refrains from doing so.

Brezhnev's remarks that the ban on production of the neutron bomb - a weapon that the Soviet Union does not possess - will be possible, the only Soviet response to the U.S. decision to defer production of the neutron bomb was a distinctly optimistic note. He said that there had been definite progress in the test ban negotiations with Central Europe and the U.S. had hoped for Soviet acceptance of the U.S. and Britain in Geneva qualitative limits on Warsaw Pact armaments in response to the President Carter's decision.

On the situation in the SALT, Mr. Brezhnev said that the U.S. had not ended speculation, but out of the treaty in return for a Soviet declaration that it will not produce neutron weapons, which would be built without the in-flight refuelling capacity which would give it the range to strike at the U.S. There could also be restrictions on its deployment inside the USSR. The missile modernisation programme, which would allow the U.S. to begin installation of its new Trident submarine-launched missiles, and is prepared to allow the Soviet Union a similar undersea missile. But the U.S. is understood to be still opposing Soviet proposals for a new, single-warhead, land-based missile.

In justifying his new-found penchant for secrecy, Mr. Vance noted that the Kremlin considers negotiations are in progress, and he is attempting to steal a "propaganda march." He also said that the U.S. was "in a 'shop' after the missile modernisation programme, which would allow the U.S. to begin installation of its new Trident submarine-launched missiles, and is prepared to allow the Soviet Union a similar undersea missile. But the U.S. is understood to be still opposing Soviet proposals for a new, single-warhead, land-based missile."

Vance edges without comment towards SALT accord

BY OUR OWN CORRESPONDENT

MR. CYRUS VANCE, the U.S. Secretary of State, last night continued his attempt to keep secret all but the barest details of his latest round of strategic arms limitation talks (SALT) with the Soviet Union.

Talking to reporters after his return from Europe, he acknowledged that some obstacles remain, but would not speculate on what they were, nor on when they might be resolved. He confirmed that his unwillingness to talk was part of an effort throughout the Administration to reduce the number of leaks and back-channel briefings. In order to enhance the credibility of the Administration.

Last year Mr. Vance's talks in Moscow were accompanied by daily news conferences in the Soviet capital and a torrent of comment from Administration officials in Washington. This time, Mr. Vance said, "I am convinced that the way we are handling it is preferable."

The continuing official reluctance to comment on the talks reports, he prepared to leave it to a single-warhead, land-based missile. In justifying his new-found penchant for secrecy, Mr. Vance noted that the Kremlin considers negotiations are in progress, and he is attempting to steal a "propaganda march." He also said that the U.S. was "in a 'shop' after the missile modernisation programme, which would allow the U.S. to begin installation of its new Trident submarine-launched missiles, and is prepared to allow the Soviet Union a similar undersea missile. But the U.S. is understood to be still opposing Soviet proposals for a new, single-warhead, land-based missile."



F-16 fighter output 'should be shelved'

WASHINGTON, April 25

THE General Accounting Office (GAO) said it recommended the Pentagon hold up making a full production commitment on the General Dynamics Corp F-16 fighter pending a complete review of the programme.

It said in a report it recommended a complete programme review before making any commitment for F-16 purchases beyond the present commitment to buy 650 aircraft.

The rate of loss for the single-engine F-16 is currently estimated to be three times higher than called for by air force specifications because of continued problems with the United Technologies Corp F-100 engine.

The GAO report said current production of the F-16 while development and testing are in progress has created an element of risk which has been accepted in part because of the political and economic climate of the programme.

The consortium of four European countries - Belgium, Holland, Denmark and Norway, joined the programme three years ago, on the grounds that the F-16 could best fill their urgent fighter aircraft needs.

The air force late last year more than doubled its planned purchase of the fighter to 1,388 aircraft at an estimated cost of \$13.5bn. However, it has a commitment to build 650 planes for the U.S. Air Force as part of the joint programme with the European consortium.

Canada construction cuts

BY VICTOR MACKIE

CONSTRUCTION projects worth \$5bn. had been postponed by the end of 1977 in Canada and another \$1.1bn. of orders were cancelled outright, Mr. Donald Baldwin, president of the Royal Architectural Institute of Canada, said today.

The findings of the Institute were based on a survey of 656 Canadian architectural firms, representing about 80 per cent of the country's architects. Construction projects worth \$9.88bn. are under way including \$9.48bn. of commercial projects, \$2.25bn. of institutional buildings, and \$2.15bn. of housing projects.

The low volume of manufacturing construction was reflected in expenditure of only \$327.54m on industrial projects. Mr. Baldwin blamed the situation on the current economic recession, the postponement of Government projects and uncertainty over Quebec's future.

The Institute's figures mirror the most recent survey of public and private investment intentions issued by the federal government's statistics branch. That agency known as Statistics Canada, reported five weeks ago that total capital investment this year would be 5.4 per cent, ahead of last year for a total of \$48.95bn.

Leading oil companies maintain steady advance: disposal boats textured; Bethlehem Steel back in the black - Page 35.

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WORLD TRADE NEWS

Bell Canada accused of Arab boycott compliance

BY VICTOR MACKIE

OTTAWA, April 25.

A RECENT \$1.1bn. agreement between Bell Canada and Saudi Arabia will be examined to see whether it discriminates against Jews, the Prime Minister, Mr. Pierre Trudeau, has told Parliament.

He informed Liberal MP Hertz Gray that he had asked his officials to look into the matter last week and hopes to provide answers soon. Mr. Gray claimed the contract includes a statement by Bell Canada that neither it nor any of its subsidiaries has commercial dealings with Israel.

Mr. Gray said that if this was a condition of the deal, it would mean Bell Canada was complying with the Arab boycott of Israel. He also claimed that the Canadian Government was implicated by providing both financial and administrative support of Bell Canada.

The Canada Export Development Corporation, a Crown corporation announced last week that it would insure up to 90 per cent of Bell's risk in the deal, which involves a contract by Bell Canada's subsidiary, Bell Canada International, to provide some 500 experts to train Saudi

Arabians in the operation of a modern telephone system. In a letter last week to Mr. Gordon, Fairweather, Commissioner of the Canadian Human Rights Commission, Mr. Gray

is not at this time involved in any direct business relationship with Israel. Asked whether he did not feel uncomfortable signing such a requirement, Mr. Thackray replied: "No, and it does not restrict us in any way with whom we do business here or anywhere else."

John Lloyd writes: Ericsson of Sweden and Philips of Holland, which are the two other major companies involved in the contract, said yesterday that they, too, had assured the Saudis that they had no dealings with Israel.

A spokesman for Philips said that the company had never dealt with Israel. Asked if the contract—worth over \$500m. to the company—would constrain any future links with Israel, the spokesman said that it might possibly do so.

Ericsson also said that the company had never had links with Israel. Because of its long-standing policy of dealing with the Arab world, it had been careful to avoid business dealings with Israel. Ericsson's Thackray, who said that Bell had signed "a statement of fact that

we are not at this time involved in any direct business relationship with Israel."

Britain was warned yesterday by Mr. A. K. al-Mudaris, secretary-general of the Arab-British Chamber of Commerce, that her business interests would be harmed if she adopted anti-boycott laws like those in the United States. Maurice Samuelson writes: Mr. al-Mudaris, giving evidence to a House of Lords select committee studying the Foreign Boycotts Bill, noted that U.K. visible exports to Arab countries in 1977 totalled \$2.7bn. and said Arab states could turn to other trading partners.

noted that recruiting for the work in Saudi Arabia was under way in Canada. In his letter he drew attention to a statement by the Bell Canada president, Mr. James Thackray, who said that Bell had signed "a statement of fact that

West's protectionism is 'crippling' less developed countries

BY DAVID HOUSEGO

VIENNA, April 25.

Governments of the Asian and Pacific region expressed their concern here today over the "crippling" effects on their economies of the allegedly protectionist policies of the West.

In a strongly-worded speech to the annual meeting of the Asian Development Bank, Mr. Yung Hwan Kim, Minister of Finance for South Korea, said that the protectionist measures, which in many cases discriminated against the developing world's manufactured exports, were "a poor reward for those countries who have demonstrated a self-disciplined determination to stand on their own feet."

As well as having a crippling effect on developing countries in terms of the impact on their balance of payments, accumulation of external debts and disrupted development plans, Mr. Yung Hwan Kim said that such policies also worked to the detriment of industrialised nations. They could be no more than a stop-gap solution to their unemployment problems, he said.

He argued that the slowdown in the economies of the industrialised nations had hit the Asian region both through protectionism and through stagnating or declining commodity prices. The effect on export earnings had, in turn, curtailed Asia's ability to import from the West.

Mr. Robert Muldoon, the New Zealand Prime Minister, said that his country's serious balance-of-payments problems made it impossible for New Zealand to contribute to the \$2bn. capital replenishment of the ADB's concessional lending institution, the Asian Development Fund.

Car parts drive in Japan

BY TERRY DODSWORTH

BRITISH MOTOR component manufacturers will make another attempt to increase exports to Japan next month during a two-week trade mission.

The 18-man mission, the eighth organised by the Society of Motor Manufacturers and Traders in nine years, follows the month-long investigation of the British parts and accessories industry by a Japanese trade delegation last year.

Since then, U.K. motor industry sales to Japan have increased only slowly, to an estimated \$30m. last year against \$24.8m. in 1976. But British companies hold out hopes of a steady improvement if the sales pressure is maintained.

Only last month a three-man delegation from the SMMT met officials from the Japanese component buying offices recently established in Europe to discuss problems the Japanese might be encountering in building up their businesses in Britain.

Toyota, Nissan, Honda and Mitsubishi have all established facilities for buying in Europe within the last few months. Among the companies visiting Japan will be Condura Fabrics, Girling, Hepworth and Grunage, the Mill Accessory Group and TI Transport Equipment.

New Airbus version likely

BY ADRIAN DICKS

HANOVER, April 25.

AIRBUS INDUSTRIE, the consortium of companies building the European A300 Airbus, hopes to win sufficient indications of interest for the scaled-down B-10 version of the aircraft to justify a firm decision to launch the project by July 1.

M. Bernard Lathiere, the Airbus Industrie chairman, confirmed that "very extensive" discussions on the B-10 have been held with United Airlines, one of the largest U.S. domestic carriers.

This fact alone, said Mr. Dan Krook, the sales director, meant that Airbus Industrie had reached at least the same point as Boeing in its discussions of United's requirements.

Mr. Krook said that orders for 25 to 30 B-10s would justify European governments in putting development funds into the B-10 project. He stressed that the builders are looking more for positive responses from a few large airlines which might place orders, rather than a larger number of orders from smaller carriers.

The Airbus company does not, however, put all its faith in the U.S. market, in spite of indications from Eastern Airlines that it might add B-10s to its existing fleet for the currently operating Airbus types.

What Airbus Industrie hopes for is a firm order within the next two months from major airlines in Europe or Japan.

M. Lathiere also said that Airbus Industrie expects further orders for at least 12 more of the B-2 and B-4 Airbus versions

from four different airlines before July 1, plus about the same number of options.

Mr. Krook declined to identify the airlines beyond saying that one was in Europe, one in Australia, one in the Middle East, and one in the Far East.

In addition, as a result of the Eastern sale, two further orders are expected from U.S. airlines. The first is likely to be from the California carrier, Pacific South West, followed by the East Coast airline, Allegheny, though it is still waiting for official approval.

United Technologies, whose Pratt and Whitney division is a leading U.S. jet engine manufacturer, says it has recently lost two important orders to European companies because of generous Government financing support.

Stewart Fleming reports from New York. They were the Pan American purchase of TriStar, with Rolls-Royce engines and the Eastern Airlines purchase of Airbus A300s.

of a proposed route from Pittsburgh to the West Coast, on which the Airbus would be used. Airbus Industrie executives now regard themselves as the main challenger on world markets to Boeing.

Mr. Lathiere, however, rejected charges made by Boeing that Airbus Industrie had infringed the U.S. Fair Trading Act and that it had indulged in "predatory" financing in the Eastern deal.

The truth is that when some

one loses a deal, he will always find reasons to say it was a failure.

The Airbus Industrie chairman reiterated the consortium's strong invitation to Britain to join it in order to participate both in the B-10 project and the two proposed aircraft being studied under the Joint European Transport (JET) project.

What Airbus hopes is that the present company will form the basis of all three projects, a move to strengthen the marketing of all of them by offering customer airlines varying combinations to suit their needs.

Privately, many European aerospace executives here are making little secret of the fact that while they still hope Britain will rejoin the Airbus programme, they cannot see Rolls-Royce can easily add itself to take a share in the work.

In another development, a 40-day Mr. Jerry Weinstein, senior vice-president of Boeing, said he hoped a final decision would be taken by NATO Defence Ministers on May 18 to complete funding for the acquisition of the AWACS at

surveillance system. Mr. Weinstein said Boeing could now be confident that the total cost of the system would work out at \$1.8 to \$1.9bn.

West Germany, he said, would contribute about \$800m. He should eventually get about the same amount back from the programme of industrial co-operation and from spending in connection with the proposed AWACS base in West Germany.

Tanker pool 'to start this year'

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

A POOLING SCHEME for large oil tankers designed to raise freight rates from their present rock-bottom levels has now attracted three-quarters of the tonnage it needs.

Mr. Niels Werring, president of the Norwegian Shipowners' Association, said in London yesterday that the scheme, known as International Tanker Services, would be in operation by late summer.

The idea, which originated among hard-pressed Scandinavian owners, is to float a company, probably based in the Netherlands, which will charter very large crude carriers over 200,000 d.w.t. trading on the spot market and only release them to the oil companies at rates to be decided.

International Tanker Services needs about 40m. d.w.t. of tankers to be effective.

Scandinavian owners have committed 20m. d.w.t. and efforts by Mr. Werring and others in the Far East have attracted substantial support from owners in Japan and Hong Kong.

Although some of the Far East letters of intent contain caveats about clearing the scheme with the United States authorities on anti-trust grounds, Mr. Werring said he now believed the scheme would operate.

April 1978. Assets now exceed £1000 million.

April 1976. Assets exceed £740 million.

April 1974. Assets exceed £530 million.



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Italy-Soviet trade up by a fifth

Italian-Soviet trade rose 20 per cent, by value, in 1977 compared with the previous year, David Satter reports from Moscow. That confirms the trend of recent years, which have seen a vast expansion of Italian-Soviet exchanges of goods.

Italian exports, mostly machinery and equipment, had a value of L1.1bn, 32 per cent more than in 1976, and imports, mostly oil and gas, were worth L1.27bn, a 12 per cent rise.

Soamprogetti, the engineering company of the Italian ENI group, has been awarded two big contracts by SCOP, the Soviet state organisation for oil, gas, and engineering services in two large oil and gas projects.

Textiles imports

Certificates of origin or other forms of documentary proof will need to be produced for commercial imports from all non-EEC sources of textiles and clothing in the 123 categories covered by the textile agreements recently negotiated between the EEC and certain supplying countries.

Mr. Michael Meacher, Parliamentary Under Secretary for Trade, has told the Commons.

Airline booking system

A \$6m. order for a number of electronic booklets and information systems has been placed by the Swedish telecommunications administration with L. H. Ericsson. John Walker writes from Stockholm. The system has been developed by Ericsson's Australian subsidiary where the system has already been installed and most of the equipment for Sweden will be manufactured in Australia. The new system will shortly be introduced in Hong Kong and Saudi Arabia also.

Brazil data contract

Pactel, the computer and telecommunications division of PA International, has won a \$220,000 contract with Embratel, the Brazilian telecommunications authority, to study the country's future data communication needs, John Lloyd writes.

Foreign stake down

Foreign investment in Brazil's productive industries is declining gradually, from 29.1 per cent, in 1976 to 15.3 per cent, in 1977, Diana Smith reports from Rio de Janeiro. Nevertheless, new projects or re-investment of profits by foreign concerns have brought in more than \$1bn. a year in the past two years. New foreign operations in Brazil have shifted away from straightforward manufacturing into expert assistance, technology and marketing.

Investment in Israel

The inflow of foreign investment to Israel, which had dropped sharply for two consecutive years, began to recover last year, increasing by \$15m. to \$120m. The increase came almost entirely from U.S. and South African investors, mainly in small plants producing for export.

HK deficit widens

Hong Kong's March trade deficit widened to HK\$1 035bn. from HK\$842m. a year earlier. The Census and Statistics Department said exports totalled HK\$2.86bn. (fob) in March, up 22.9 per cent from a year earlier. Re-exports were HK\$987m., up 29.3 per cent. Imports were HK\$4.882bn., (cif), up 24.2 per cent. from March, 1977. AP-DJ reports from Hong Kong.

Foreign currency scheme to cover supplier credits

BY MARGARET HUGHES

BRITAIN'S EXPORT CREDITS (ECGD) Guarantee Department (EGGD) has confirmed that it intends to extend its foreign currency credit scheme to cover supplier credits for a maturity of two years or more.

EGGD has already discussed its proposals with the clearing banks and will be talking to exporters over the next week or two. It will then submit its proposal formally to the relevant banking committees with the aim of introducing the facility in June.

The main aim of extending the scheme to supplier credits is to assist those exporters who have traditionally financed large export contracts—of £20m. or more—on a supplier credit basis. Most of this business is financed on a buyer credit basis, but some exporters of industry, such as ship and aircraft manufacturers, tend to finance such deals on a supplier credit basis. So too do a few companies in other industries, Marconi being one example, while some benefit to countries, such as China, will payments.

Extension of the scheme will thus allow those exporters who prefer to finance their export contracts—of £20m. or more—on a supplier credit basis. The scheme to do so while still coming on a buyer credit basis.

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Exports by the Swiss watch industry rose by 0.6 per cent, higher in value than in the 1977 quarter, and the first quarter of this year, compared with the corresponding period of 1977, to a value of Sw.Frs.733.5m.

Particularly marked growth rates were booked for electronic watches and movements (25.1 per cent), and for anchor-watch movements (24.4 per cent), braking effect on new orders imposed by the monetary situation.

Anchor watches, however, were

only accept deals which are financed in this way. Under the supplier credit scheme the export credit (loan) is extended to the exporter, rather than the buyer.

Since the Government decision over a year ago to switch export finance for large capital goods contracts into foreign currency contracts—exporters, have had to undertake financing on a buyer credit basis. This is because contracts of £20m. or more now have to be financed in foreign currency while this is also the "preferred" method of financing for deals over £5m.

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HOME NEWS

Civil Service recruits hard to find

BY DAVID CHURCHILL

THE CIVIL SERVICE disclosed yesterday that it is facing severe difficulties in filling executive and specialist jobs.

In particular, the shortfall is acute among medical, accountancy, and computer jobs, says the annual report of the Civil Service Commission.

Although no reason is given for the lack of right quality recruits, the Society of Civil and Public Servants, which represents managerial staff, last night blamed it on the low salaries for executive civil servants when compared with the private sector.

The commission's report says that recruitment at junior levels last year "continued to be generally buoyant." The Civil Service is usually able to fill these posts without trouble during times of high unemployment in the economy.

But filling vacancies for senior and specialist staff "presented a problem which loomed larger as the year wore on."

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Motor HP restrictions 'should be removed'

By Terry Dodsworth, Motor Industry Correspondent

MR. JIM CAMPBELL, new president of the Motor Agents' Association, called yesterday for the removal of hire purchase restrictions on second-hand car sales.

Mr. Campbell, who is also chairman of Mann Egerton, the British Leyland distributor, argues that current HP regulations are holding back the U.K. market at present, and that a further boost is necessary if the present buoyant sales conditions are to be maintained beyond the summer.

He also believes that private buyers, who are the main customers for second-hand cars, are receiving a less favourable deal from the present tax structure in Britain, which is effectively providing cheap motor insurance.

The MAA's pressure to ease second-hand credit restrictions is not at present being supported by the Society of Motor Manufacturers and Traders, the industry association for the car producer companies.

This appears to be mainly because of British Leyland's fears that any improvement in credit facilities would increase demand and suck in more imports.

HP restrictions currently stand at a 331 per cent deposit with a 24-month repayment period.

Underspending cut 'likely this year'

BY DAVID FREUD

THE UNDERSPENDING against Government cash limits in the past two financial years is likely to be reduced in the current year, Sir Anthony Rawlinson, Second Permanent Secretary of the Treasury, said yesterday.

He told the Commons' Public Accounts Committee that departments were growing used to the system, but the Treasury was encouraging tighter estimates and greater use would be made of the monitoring figures.

These three factors would help eliminate the shortfall, though he stressed that cash limits were not the only reason for underspending.

Mr. Edward du Cann, chairman of the committee, welcomed the Treasury's proposals for merging cash limits with the traditional Parliamentary estimates and accounts.

He said that if, as the Treasury stated, the merging would bring increased financial precision, greater Parliamentary control and less work for leading civil servants, the move would be very welcome. His "insurer" was to put the arrangements into effect immediately.

Sir Anthony said there was no simple explanation of the underspending, and the Treasury did not pretend to understand it completely. A number of factors were involved, including some overestimation and some underperformance.

Three factors would reduce

the shortfall in spending in the current financial year. First, many departments were now aware of what had happened.

Second, the Treasury had encouraged tighter estimates; third, the arrangements for obtaining the monitoring figures were working quite well. There was still "quite a long way to go in making use of them in finding out what they mean in terms of plans as a whole."

Sir Anthony agreed with Mr. du Cann that cash limits had helped control expenditure. There was only one qualification. Added to the two original sets of estimates—the survey prices of the annual expenditure White Paper and the Spring estimates with their later supplementaries based largely on current prices—cash limits introduced in 1976-1977 complicated managerial control further.

Referring to the Treasury proposal of merging the Spring estimates into the cash limits, which take account of inflation through the year, he said: "I think that to reduce two of those sets of figures into one is a highly desirable managerial objective which should further strengthen the benefits which have been obtained from the introduction of cash limits."

If the proposals found favour and were approved rapidly, Sir Anthony said, a start could be made to the changeover in the next financial year. It would not be possible to complete the operation by then.

Shell executive chosen as NEDO's new chief

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A SENIOR executive of the Royal Dutch Shell Group with considerable experience in international affairs has been appointed as the new director general of the National Economic Development Office at a salary of slightly less than £19,000 a year.

He is Mr. Geoffrey Chandler, aged 55, and his main task when he takes up his new job in June will be to try to build credibility for the Government's industrial strategy and communicate its ideas for individual industries down to management and shop-floor workers.

Mr. Chandler is now public affairs co-ordinator at Shell, where he is a director of the group's main U.K. and Dutch companies. He joined Shell in 1966 after working as a journalist on The Financial Times and the BBC foreign news service. He will be taking a cut in salary on leaving Shell.

The announcement ends an eight-month hunt for someone to fill the post and both the Prime Minister and the TUC were specially keen to choose a man from an industrial background. The last two directors general—Sir Frank Figueres and Sir Ronald McIntosh—were former civil servants.

The appointment was welcomed last night by leaders of both sides of industry, including the president of the CBI, Mr. John Greenborough, who, as managing director of Shell U.K.,



Mr. Geoffrey Chandler

is a colleague of Mr. Chandler. But some union leaders may be sceptical about Mr. Chandler's lack of direct U.K. industrial experience, although they will respect his knowledge of international trade affairs and of the international oil business, which will be useful at the NEDO.

Last night Mr. Chandler was both to be drawn on how he regarded the job and said that his

main experience of the NEDO tripartite sort of operation, involving the Government at both sides of industry, was when he was managing director of Shell Trinidad for five years from 1964 where tripartism Government was being developed.

He believed in "leading by example and running things by consent" and intended to approach the work to begin with like a team: "First I'll stay on flexible like a trolleybus; then when I have felt my way I shall act in the manner of a bus."

He said of the National Economic Development Council, which runs the Office: "It is a place where the three crucial parts of the economy meet in a manner which may not happen elsewhere."

"This does not lead me to have fears about a corporate state because I believe that there are sufficient other checks and balances in society."

Mr. Chandler served during the war in Egypt and in Germany occupied Greece. After the war he read history at Cambridge. During his time at Shell he was president of the Institute of Petroleum from 1972-74.

The hunt for a new director general started last summer when Sir Ronald McIntosh, who had been director general for 41 years, told the Prime Minister he wished to resign.

Leyland to double Land Rover output

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEYLAND CARS is spending the first £25m. of the £250m. programme to double output of Land Rover/Range Rover models, even before the project has been approved by the British Leyland Board.

Mr. Michael Edwardes, the chairman, has authorised the investment to prevent any delay to a venture seen as central to any Leyland recovery. The money will be committed to ensuring a rapid build-up of production.

The company is conscious of the need to move quickly to retain its 15 per cent share of an increasingly competitive international market. Mr. Edwardes has made it clear that he will not seek approval from his Board until the work force has given a prior commitment.

The important question is whether Mr. Edwardes will take a hard line and make the go-ahead conditional on membership by the Solihull plant of the worker-participation machinery. The Transport and General Workers' Union at the Rover Jaguar, Rover, Triumph board, in its refusal to join.

Mr. Edwardes will have to decide whether to compromise with such feelings and run the S U Bute.

Product engineering goes to Mr. Tom Barton, one of the original engineers on the Land Rover project. Mr. Ron Phillips, manufacturing project director at Solihull, will oversee quality. Mr. Bill Davis, a member of the Jaguar, Rover, Triumph board, completes the team.

Mr. Tim Worrall, 32, has been appointed managing director of the S U Bute.

The total new factory space being built is 464,000 square feet, which the agency estimates will provide sufficient space to support 800 to 900 jobs initially, rising to double that over three years.

Nearly half the new factories are to be constructed on the Rassau industrial estate, now being developed after delays arising from local opposition which led to a planning inquiry.

Sir David Davies, chairman of the agency, said yesterday that it was now able to accelerate the development of the Rassau site. About 370,000 sq. ft. had been spent on site clearance, and the agency had let a £2m. engineering contract to provide platforms for the new factories.

Plans to provide additional factories in Cardiff to offset the effects of the East Moors closure were withdrawn and the agency hoped to make an announcement about them shortly.

The factories will range from 1,500 square feet to 50,000 square feet, with particular emphasis on units of 5,000 square feet, 10,000 square feet and 50,000 square feet.

At its height, the speculation on the international market involved the payment of more than 50 per cent above organisation prices to a surcharge of between 25 and 30 per cent on the list price, according to Antwerp diamond merchants.

The sale is one of 10 held every year for about 300 selected clients by the De Beers Central Selling Organisation, which dominates the world marketing of rough diamonds.

The surcharge is part of a policy adopted to damp down an overheated market. At the last sale, earlier this month, the position was 40 per cent.

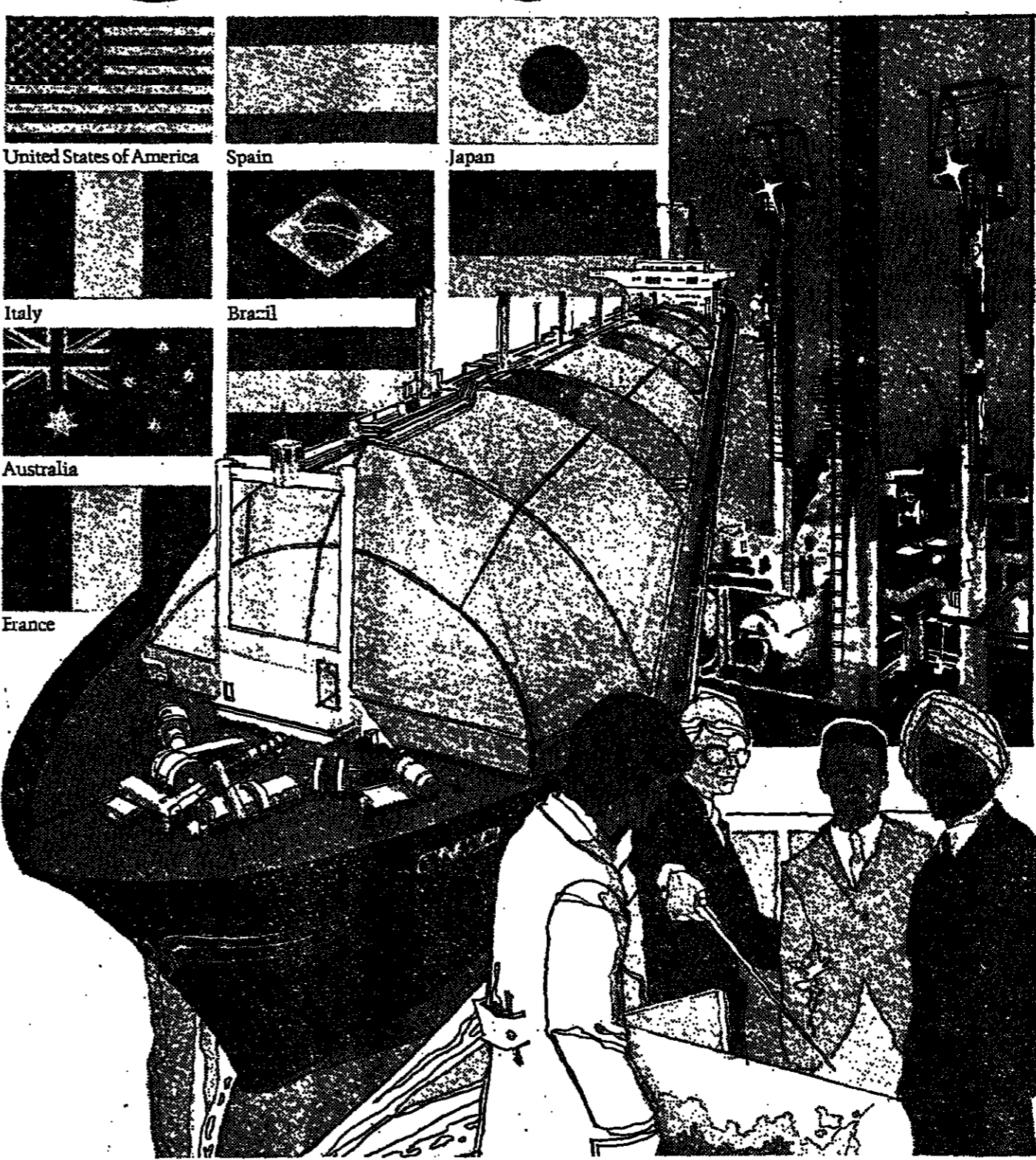
De Beers has stated that the level of the surcharge, or indeed about 15 per cent, at the sale the decision to impose it at all, after next and that De Beers will depend on market conditions before each sale.

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One of our most significant successes has been with processes developed initially for the manufacture of town gas from oil feedstocks and subsequently adapted to produce a fuel interchangeable with natural gas. This is the Catalytic Rich Gas process, which is widely used. 24 units of one version have already been installed in Brazil, Italy, Spain and Japan. And in the United States, 14 CRG process streams, with a combined production capacity of some 1,200 million

cu. ft. a day (equivalent to a quarter of Britain's total daily gas output) are installed and operating successfully.

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The immediate need for this technology is in the U.S.A.—and American gas companies have shown their respect for British know-how by investing huge sums to fund our research. However, the long-term implications of this new technology are far-reaching for Britain and for the world.

That's what we mean when we say that "Gas gets on with it." And that's what we mean by "selling know-how to the world."



BRITISH GAS

HOME NEWS

Two BP Chemicals plants to close

BY KEVIN DONE, CHEMICALS CORRESPONDENT

BP CHEMICALS is closing two plants at its manufacturing site at Grangemouth, Scotland.

It is suffering from the continuing stagnation of demand in the West European petrochemical industry, and Mr. Len Burchell, BP Chemicals managing director, said yesterday that there was little hope of any real improvement this year.

The company is shutting its ethyl benzene and styrene plants at Grangemouth, because the styrene market throughout Europe is severely depressed. The 60,000 tonnes-a-year plant is the oldest and least efficient of BP's styrene operations.

Production of styrene, the raw material for the manufacture of the plastic polystyrene, will be continued at the company's Baglan Bay site, South Wales.

Another 75,000 tonnes-a-year styrene plant is shut at this site, because demand can already be met adequately from BP Chemicals' largest plant, a 220,000-tonnes-a-year unit brought on stream in 1972.

Workers employed on the styrene operation at Grangemouth are being moved to other jobs at the site.

The styrene plant at Grangemouth was operated by Fort Chemicals, in which BP has a two-thirds stake. The other third is owned by Monsanto, the U.S. chemicals company.

Last year, BP Chemicals made a profit of only £11m, compared with £36m in 1976. Production increased marginally to just over 3m tonnes, while the value of sales was 10 per cent up on 1976.

Mr. Burchell said yesterday that BP Chemicals was particularly vulnerable to the downturn in trading because of its great concentration in base petrochemicals.

"We do not have the protection of a sufficient diversity of chemical activities which will go on producing profits when parts of our business are having a bad time."

The combination of chronic over-capacity in Europe and increasing exports from the U.S. and Comecon countries had led to a near-collapse of prices and consequently of profits and cash flow. Unfortunately this is not likely to be a short-term situation.

"The over-capacity problem is estimated to be with us until the late 1980s, by which time we may have to face competition in our markets from imports of petrochemical products from OPEC countries."

BP Chemicals was considering diversification into other areas of the industry not affected by the factors which are depressing petrochemicals.

Mr. Burchell told employees that BP Chemicals must take action to reduce its particular vulnerability.

The company is trying to develop its position in specialty chemicals. It is understood that acquisitions may be considered, to broaden this base, especially in overseas markets, where BP Chemicals does not have a large manufacturing position.

"What is at stake here is the very ability of our company to expand." At present BP Chemicals has £200m-worth of capital projects in progress.

We cannot go on drawing cash at this rate from the BP Group, unless there is a reasonable expectation that BP Chemicals is going to start to pay its way," Mr. Burchell added.

His statement comes only days after Imperial Chemical Industries said that it would have to review its £800m capital restructuring programme, unless profitability showed an early improvement.

New pit will employ 1,400

BY JOHN LLOYD

THE NATIONAL Coal Board is to spend more than £130m on the development of a new pit near Staffordshire.

The pit, to be called Park Colliery, will probably be built next to the village of Hooton.

Workable reserves in the area are more than 100m tons, with the possibility of further reserves being proved as the pit develops.

At an estimated annual production rate of 2m tons a year, the pit is expected to last for the next 50 years. It will be fully operational within the next 10 years.

Most of the coal to be produced by Park Colliery will be for power stations, with a small amount for industrial use.

The colliery will employ 1,400 men, of whom about half are expected to be new recruits to the industry. Many of the more experienced men will probably come from West Coast collieries, in South Staffordshire.

West Coast now employs more than 1,000 men, but its reserves are limited.

A planning application will go to Staffordshire County Council soon.

Pernod sales in U.K. rise by 11.52%

Financial Times Reporter

SALES of Pernod in the U.K. increased by 11.52 per cent last year compared with a national average increase in spirits sales of 14.4 per cent, according to figures issued yesterday by Mr. Claude de Jouvencel, managing director of the U.K. subsidiary, J.R. Parkinson.

This year Pernod will take about one quarter of the company's planned £1m advertising and promotional budget, the main effort will be poster campaigns in London, Manchester and Liverpool during spring and late autumn.

In the first quarter of 1978 sales of J.R. Parkinson products, including wines and brandy, were up by 43 per cent on the same period last year.

Designer wins business award

A FASHION designer was named yesterday as Manchester's Entrepreneur of the Year. She won £1,000 to help her start in business.

Mrs. Jane Miller, 24, beat 74 other competitors for an award which also includes the offer of rent-free business premises by Manchester City Council and financial, marketing and managerial advice from National Westminster Bank.

"Bearing in mind these factors, these firms are able to make profits which reflect the services they provide," said the report on the 1976 Survey of the Structure and Remuneration of the legal profession in private practice. The Law Society 113 Chancery Lane, London WC2.

£3m. boost for Ulster gas industry

By Our Belfast Correspondent

THE GOVERNMENT has agreed to inject another £3m into the Ulster gas industry, but it says that prices to the consumer will have to rise by as much as 10 per cent.

It is an interim move while Mr. Roy Mason, the Northern Ireland Secretary, considers whether to commit more than £70m for a pipeline to bring natural gas from Scotland at a vastly reduced cost to the consumer.

Mr. Mason is under pressure from the dozen or more individual gas undertakings to give the go-ahead for natural gas as soon as possible.

Mr. Harold McCusker, MP, chairman of the province's Gas Association, said yesterday: "The rise in prices will make it extremely hard to hold on to existing customers at a time when the Government has not yet made a decision on the long-term future."

Building industry's future 'brighter'

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

PROSPECTS FOR the construction industry continue to look a little brighter, according to the National Federation of Building Trades Employees.

The latest state of trade inquiry conducted by the federation suggests that the increase in work first noted last December has continued.

The inquiry, carried out last month, confirms a growing feeling in the industry that the recession has now bottomed out and that more work is on the way.

The extent of any recovery, however, is uncertain, although many contractors do not believe that any significant improvement is on the way. Most predictions suggest that output will rise by only 1 or 2 per cent, overall, next year from the recent low levels.

The inquiry shows that 42 per cent of the companies taking part in this survey reported increasing inquiries for work, while only 19 per cent said they had actually fallen.

U.S. big three aircraft makers asked to talks

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE PRESIDENTS of Boeing, Lockheed and McDonnell Douglas, the three big U.S. aircraft manufacturers, have been invited to London by Mr. Eric Varley, the Industry Secretary, for private talks on the collaborative programmes they have offered the U.K.

One reason for Mr. Varley's invitation is understood to be that Lord Beswick has declined to discuss any collaborative offers with the U.S. industry, while he is negotiating with the European aerospace industry on a new version of the Dash 600, a short-range twin-engine aircraft.

This has meant that the U.S. companies have had virtually no opportunity to spell out their offers for collaboration with the U.K.

In Whitehall, senior officials are understood to have felt that this was creating a serious gap in their knowledge, which needed to be filled before recommendations could be made to Ministers and then to the Cabinet committee studying the question of future aircraft programmes.

The programme likely to be discussed includes the Boeing offer of collaboration on the proposed 787 short-range jet, which would use the Rolls-Royce RB-211 Dash 535 engine of 32,000 lb thrust, with the possibility also of that engine being used in the proposed 777 tri-jet, and of the bigger RB-211, the Dash 22, of 42,000 lb thrust, being used in the twin-engine 767 jet.

McDonnell Douglas has offered collaboration on a wide range of programmes, civil and military, including the proposed Advanced Technology Medium-Range transport, which would also use Rolls-Royce engines.

The aim is to enable Ministers and officials to make decisions, such as the Treasury and Foreign Office, to get first-hand details of the U.S. companies offer in terms of work and costs.

The talks are not being regarded as negotiations. They are intended solely as fact-finding exercises to enable the U.K. Government to decide the direction the U.K. aerospace industry ought to take in future—either collaborating with the U.S. or with Western Europe.

The visit is strictly a Government exercise, and the U.S. industry leaders will not hold talks with British Aerospace or Rolls-Royce, although they may have

Depressed areas 'fail to benefit fully from incentives'

By Ray Perman, Scottish Correspondent

MUCH OF the money being spent to build up industry in depressed regions of Britain is being wasted, it is suggested by a report from a model of a Scottish economy produced jointly by the Scottish Council for the Fraser of Allander Institute and the IBM U.K. scientific centre.

The results show that there is a high degree of leakage from the Scottish economy to other more prosperous parts of the country, and that many of the newer industries being encouraged by Government contribute more to employment elsewhere in Britain and abroad than they do for Scotland.

For example, electronics, one of the fastest-growing sectors in Scotland, which sells nearly 9 per cent of its output overseas to the rest of the U.K., imports nearly 60 per cent of its component parts.

Vehicle-building, which is Government-backed by its support of Chrysler's Linwood plant and investment in Leyland's Scottish truck and tractor factories, buys very few of its components locally. More than 90 per cent of the value of its output is represented by imports from England or abroad.

The general conclusion is that the newer industries in Scotland are poorly linked with the rest of the economy, a finding which is likely to hold true for other depressed regions.

This is reflected in multiple figures produced from the model, which show that for every £1 of income earned directly from employment created, the spin-off in the rest of the Scottish economy is only 32p. The figure for the U.K. as a whole is 81p.

Prof. James McGilvray, one of the directors of the project, said yesterday that one of the implications of the study for Government policy was that industrial promotion should be selective, concentrating on import substitution rather than subsidising industry across the board.

Any idea of stimulating the Scottish economy, through demand management or devaluation, has very little possibility. Even if the U.K. economy showed an improved rate of growth, the effect on Scotland and regions like it would be very small.

"In order to improve the Scottish economy, you need to deepen it, rather than to widen it."

Half private solicitors 'earn less than £7,050'

BY JAMES McDONALD

HALF the solicitors in private practice had "real earnings" of less than £7,050 in 1976, well below the National Health Service income of the average doctor, according to a study carried out by the Law Society in that year and published to-day.

The survey compared the median real earnings of solicitors in private practice with those of general medical practitioners (£8,593), dentists (£7,798) and Metropolitan stipendiary magistrates (£11,750).

In a few firms with 20 or more principals, however, almost all concentrated in the City of London and with their business "not typical of the profession as a whole," the median share of net pre-tax income was £40,000 per year.

The survey—which covered a sample of 4,230 firms—says that the problem of earning a reasonable income is especially difficult for smaller firms which provide "an irreplaceable service to the public" particularly in rural areas.

One in three solicitors who practised on their own had a gross income below £5,000 and, after allowing for the cost of maintaining existing capital, income would be about £4,800.

"Out of that sum he must provide his own pension. He is quite unable to provide anything remotely adequate and will not be able to afford to retire."

Inadequate Solicitors obtained about 76 per cent of their fees from non-contentious work. While the report recommends that the charges in non-contentious business should not be varied, under the principles set out under the 1972 Order, it says that the income from contentious work is inadequate.

For instance, for every £100 of fees charged by a solicitor for court work generally, over £75 goes on overheads. The failure of committees subject to Government control to deal adequately with fees explains this shortfall.

While the expense to a firm of a solicitor attending a High Court trial could not be less than £70 a day, the scale allowance was £20.25. Legal Aid work in the Crown Court is often done at a loss.

The present system of charging by reference to the complicated, illogical and archaic scales must be abolished and replaced by the fair and reasonable system which applies to non-contentious work.

Commenting on the high income made by some large firms of solicitors, the report says: "Their work is mainly commercial and often involves large sums of money, frequent journeys abroad, often at short notice and very special skills."

Practising in the City of London is also very expensive, so that large and ever-increasing capital sums have to be introduced and maintained out of taxed income by partners in these firms.

Bearing in mind these factors, these firms are able to make profits which reflect the services they provide," said the report on the 1976 Survey of the Structure and Remuneration of the legal profession in private practice. The Law Society 113 Chancery Lane, London WC2.

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Silkin fights for milk service

BY CHRISTOPHER PARKES

MR. JOHN SILKIN, Minister of Agriculture, has long appreciated the value of "public opinion" as a weapon in his seemingly endless struggles with the Common Market's bureaucracy.

Now he is working hard to enlist consumer support for his campaign to preserve the U.K.'s Milk Marketing Boards.

Hardly a headline-catching subject in themselves, the Boards have sprung to prominence recently because the EEC Commission's attempts to amalgamate them into the Community dairy policy as a threat to the British tradition of door-to-door delivery of milk.

It is generally accepted in Europe that the Milk Boards' monopolistic characteristics—they have the right to buy and sell all milk produced in Britain, for example—put them beyond the Community's legal pale. Although not tested in any court, this thesis has been tacitly accepted by the Nine.

But because the boards make such a sound job of managing the milk market here and because the dairy industry elsewhere in the Community is drowning in its own surpluses, no Minister is particularly eager to see them dismantled or disrupted. Indeed, the Council of Ministers has been discussing this week a change in the basic regulations of the EEC proposed specially to accommodate the peculiarities of the British system.

This is a rare honour. Eight Ministers and the Commission have been bending over backwards to please the British. Mr. Silkin is insisting, however, that they flex their backbones even further.

He wants it established beyond any shadow of a doubt, that when the negotiations end, the rights and structures of the British milk boards will be fundamentally unchanged.

What is possibly more important is his campaign for a guarantee that they will never be called into question again—at least not by any Community country other than Britain, or

any Commission bureaucracy.

The Commission's latest proposals, however, call for a review of the situation within five years.

Mr. Silkin seems to feel that he has already won so many allies in his overall fight, and so much support for the main Commission proposals, that this final concession can be squeezed from the local market for drinking milk. That would leave the many thousands of dairy farmers in the West Country and other "isolated" regions out in the cold.

Cut off by prohibitive transport costs from the most lucrative markets, they would have no alternative but to sell almost all their output for manufacturing. No one could afford to do that for long. Ultimately, unless large-scale co-operatives took over, they would be driven to the wall.

The loss of their milk production would shut most of the dairies in Britain.

Jobs would be lost in already depressed regions and milk products would have to be imported in large quantities to cover the fall in domestic production.

While the dissolution, or even disruption, of the Milk Marketing Board's operations might lead ultimately to the collapse of the liquid milk distribution system and the inevitable diversion of milk into making butter and skimmed milk powder to add to the Community's renowned mountains, there are other significant economic and social factors to be considered.

Beyond buying, selling and directing the use of milk production, the strength of the British milk industry depends largely on its "price pooling" principle.

In broad terms, the price for all milk used in Britain is averaged out to balance the high value of milk going for drinking against the relatively low value put on milk used in the manufacture of dairy products.

Farmers are paid roughly the same for their output regardless of where they farm.

Without such a system, producers in areas near big towns would war to sell almost all their output for manufacturing. No one could afford to do that for long. Ultimately, unless large-scale co-operatives took over, they would be driven to the wall.

The loss of their milk production would shut most of the dairies in Britain.

Jobs would be lost in already depressed regions and milk products would have to be imported in large quantities to cover the fall in domestic production.

Rig switched to drill Irish well

By Ray Dafter, Energy Correspondent

BRITISH PETROLEUM has suspended drilling in Block 23/26 so that its rig can take advantage of fine weather to drill an exploration well in exposed waters off south-west Ireland.

The rig, Sedco 703, has begun drilling the second well on the Irish block 56/28. The first well on the block was abandoned.

The group, in which BP Petroleum Development is operator, comprises: BP (60 per cent); Aran Energy (25 per cent); Seapet Resources (7.5 per cent); and Saga Ireland (7.5 per cent).

The suspended well was being drilled close to an oil discovery by BP in 1976. It was reported then that the company had tested a small accumulation at a flow rate of 4,800 barrels a day.

Sedco 703 had been drilling the well, close to the U.K. Lomond Field and the Norwegian Cod Field, since January 12.



Boucher work makes record £35,000

A DRAWING of Apollo by Boucher—pictured above—sold for £35,000 at Sotheby's yesterday, easily an auction record for a drawing by the French artist.

It was the top price in the sale of Old Master drawings collected by the American singer and actor David Daniels, which together totalled £189,520, well above forecast.

The Apollo was bought by Ward Jackson, the London dealer, who also has to pay the 10 per cent buyer's premium.

Other high prices were the £12,000 from Tunisia, a New York dealer, for a drawing of Faun, Holding a Mascarade by Annibale Carracci, £11,500 from a New York collector for a pen and ink drawing by Corrado Giacomini, also an auction record for the artist; and £9,000 for a drawing by Boucher, titled 'The Artist's Studio', by Pierre Mignard (another record).

Two smaller drawings of the Netherlands, c. 1610, by Joachim Wtewael, went for £5,500 and £5,000 to the Central Museum of Utrecht. The two

and clocks as well as fine and rare wares. There will be 13 sales throughout the week.

Watches and clocks sold for £255,963 (Sw.Fr. 529,110) at Christie's, the London dealer, paid £11,020 for a Dutch A. Oudekerck drawing by Pierre Mignard (another record).

The concluding session of Christie's two-day sale devoted to antiques in London realised £78,355, to bring the overall total to £232,642.

BRITISH CAR AUCTIONS

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BY ANTONY THORNCROFT

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LABOUR NEWS

Unions will see Leyland to-day on Speke closure

BY ALAN PIKE, LABOUR CORRESPONDENT

UNION LEADERS will meet Leyland management today to see whether there is any room for improvement in the redundancy terms offered to workers at the Speke, Liverpool, assembly plant which is due to close next month.

The outcome of this morning's talks will do much to determine the attitude of the Confederation of Shipbuilding and Engineering Unions' executive when it meets later in the day.

Although the Speke workers have rejected the redundancy terms and the proposal to close the factory, the Amalgamated Union of Engineering Workers' executive once again deferred a decision when it met yesterday.

Mr. Hugh Scanlon, president,

said that the executive wanted to know the best possible redundancy terms which the company was prepared to offer.

Although the confederation is opposed to compulsory redundancy the cautious view of the AUEW suggests that some union leaders believe that if the terms were improved they might be accepted by the 3,000 men who stand to lose their jobs.

Some of the confederation executive are likely to argue at to-night's meeting that the future success of British Leyland will not be achieved without the workers accepting some measure of rationalisation.

Car assembly at Leyland's Cowley plant was halted yesterday because of a strike by 250 delivery drivers in Oxford over the company's failure to re-employ a dismissed shop steward.

But the strike for foremen at the Rover plant at Solihull was called off yesterday at a meeting of the 340 men, members of the Association of Scientific, Technical and Managerial Staffs.

Lucas Aerospace shop stewards claimed official union support yesterday for their campaign to oppose company reorganisation plans involving closure of the Liverpool plant, which employs 1,400 workers.

About 70 delegates from the 17 aerospace sites met in Birmingham and renewed their pledge to resist the transfer of equipment and labour. The meeting was convened by the Confederation of Shipbuilding and Engineering Unions.

Aerospace unions consider action

BY PAULINE CLARK, LABOUR STAFF

LEADERS of 5,000 key technologists and other white collar workers in British Aerospace warned yesterday of "a very serious possibility" of action, unless they achieve equal representation with TUC affiliated unions on industrial democracy.

Representatives of seven independent trade unions in the industry claimed that about half their membership was already committed to the principle of industrial action. Others are expected to follow suit if their demands for a place in the proposed industrial democracy system are ignored.

A meeting of the British Aerospace Board today is expected to consider a joint letter from the unions, expressing "strong disapproval" of a claim by the Confederation of Shipbuilding and Engineering Unions for exclusive rights of representation on factory councils.

Staff bonus disallowed

By Christian Tyler, Labour Editor

THE DEPARTMENT of Employment has told the accountancy firm Price Waterhouse that payment of "loyalty" bonuses to its staff would be a breach of the pay guidelines.

But it has agreed to productivity schemes put forward by Price Waterhouse and another big firm, Peat Marwick and Mitchell.

Price Waterhouse had told its 800 staff that if they stayed until June 30 they would be paid a bonus worth 5 per cent of salary. The sums would have ranged up to £300. Peat Marwick had offered bonuses only to its Birmingham staff.

Meanwhile pay policy negotiations involving another City firm, Sun Alliance and London Insurance group, have yet to resolve the argument whether the group's decision to make its pension scheme non-contributory is a breach of the policy.

APPOINTMENTS

Main Board post at De La Rue

Lord Charters of Amisfield has joined the Board of the DE LA RUE COMPANY.

Mr. Stanley Clarke, group chairman and managing director of Courier Press (Holdings), is to be nominated for election as president of the BRITISH PRINTING INDUSTRIES FEDERATION 1978-1979 at the annual meeting on May 20. Other nominations approved are Mr. Peter Medall, as senior vice-president, Mr. John Wood, junior vice-president, and Lord Ebbisham, honorary treasurer.

Colonel Guy German has been appointed honorary life president of KEELING AND WALKER and Mr. Godfrey Bostock has been made chairman in his place. The company is a member of the Amalgamated Metal Corporation group.

Mr. Frank Dauphy, manager (trade development), is to be manager of the new MIDLAND BANK International division branch which opens at Hanover Square, W.1, on May 2.

Mr. T. H. Boyle and Mr. D. A. Foote are retiring from the partnership of SIMON AND COATES, stockbrokers, on April 28. Mr. Foote will remain

with the firm as an associate. The following associated members of Simon and Coates will be taken into partnership from the same date: Mr. M. F. Hiles, Mr. R. J. Latham, Mr. A. M. Stewart, Mr. M. J. Basketh, Mr. T. J. Ebbelock, Mr. D. G. A. Gordon and Mr. W. R. Charlesworth.

Mr. Norman Spiers has been appointed adviser in London to the FIRST NATIONAL BANK OF MARYLAND.

Mr. T. M. Tagg has retired as advisor to BANK SEPAH IRAN and Mr. J. L. Warwick previously of Australia and New Zealand Banking Group, takes over that position.

J. C. Bamford Excavators has formed a company called TELESCOPIC HANDLERS with Mr. J. P. Harrison as managing director. He has been succeeded as U.K. general sales director, JCB Sales, by Mr. Roger Eve.

Mr. Douglas Stead has been appointed a director of UD ENGINEERING, a subsidiary of the Capper-Neill group.

Mr. D. W. Roberts has resigned of REDFON TELECOMMUNICATIONS, but continues as a consultant. Mr. F. C. Bennett has

become operations director. Mr. W. S. Robertson, managing director of Redifon Telecommunications, succeeds Mr. Roberts as chairman of Crystal Electronics and is joined on that Board by Mr. S. R. Pitt.

Mr. T. W. Eassie has been appointed to ROTORK as group chief executive with responsibility for all divisions. He has been succeeded by Mr. R. P. Bacon as chief executive, controls division.

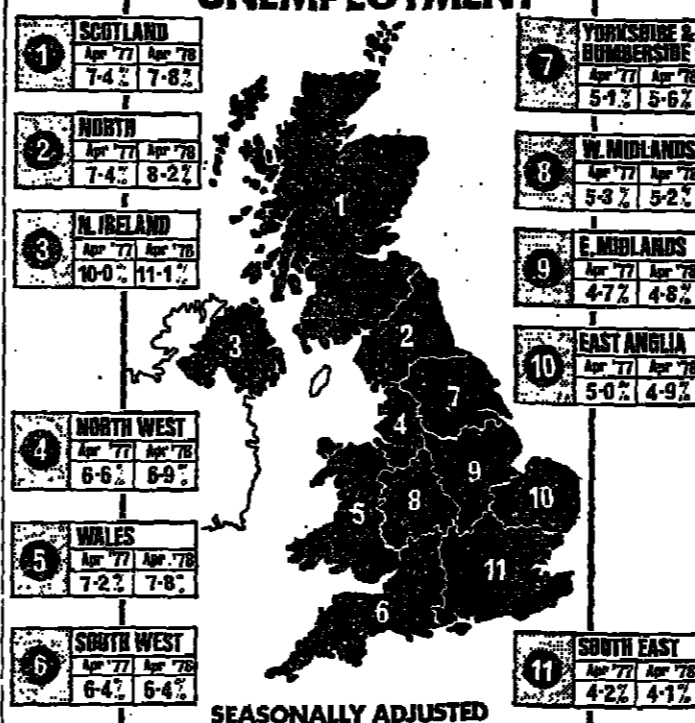
Mr. G. J. Burge takes over from Mr. Bacon as production director on the controls divisional Board. Mr. Jeremy Fry continues as group executive chairman.

Mr. G. T. Spratt is to become secretary and Mr. J. D. Williams, assistant secretary, of the COMMERCIAL UNION ASSURANCE COMPANY from May 1. Mr. V. R. Harris relinquishes his position as secretary at the end of this month but will continue as an executive director.

Mr. Andrew Thomson, managing director of AM and S Europe, has been elected chairman of the ZINC AND LEAD DEVELOPMENT ASSOCIATIONS, London, in succession to Mr. Keith Hendrick.

Mr. Hendrick and Mr. T. E. Borresen are now deputy chairmen.

UNEMPLOYMENT



Unemployment fell in April in the U.K., except in Yorkshire and Humberside, where it was unchanged, and the West Midlands and Northern Ireland. The biggest improvement was in Scotland, where unemployment fell 2.7 per cent to 7.8 per cent, seasonally adjusted. There was a 2 per cent decline in the north of the country and falls of 1.1 and 1.3 per cent in the south east and south west respectively.

The jobless total rose by just 100 in the West Midlands, to 120,900, seasonally adjusted while the rise in Ulster was 1.7 per cent.

Northern Ireland's unemployment rate was the highest, at 11.1 per cent, followed by the north with 8.2 per cent, and Wales and Scotland with 7.8 per cent each. The lowest rate was in the south east, 4.1 per cent.

Safety staff suspended at Windscale

SAFETY workers at the Windscale atomic plant, Cumbria, were suspended yesterday over a pay dispute.

After staging a series of token strikes, the plant's 150 health physics monitors were warned by British Nuclear Fuels that they would be suspended for three days unless they worked normally.

The men claim the company has failed to honour a pay agreement.

Claridge's will pay £30 'loyalty' bonus

By Philip Bassett

STAFF at Claridge's, the London hotel, who took no part in the recent strike will receive £30 or the nearest equivalent in shares in the company, the management said last night after a meeting of directors.

The share bonus will be payable to the nearest equivalent of £30 in "A" Ordinary shares of the Savoy Group, of which Claridge's is a member. The shares stood yesterday at 70p.

Pit four-day week urged by Daly

BY OUR OWN CORRESPONDENT

DEMANDS for a four-day week in the coal industry were underlined yesterday by Mr. Lawrence Daly, general secretary of the National Union of Mineworkers.

Though the miners' leaders have talked often enough about the possibility of a further cut in the working week, this has usually taken the form of a demand for shorter shifts.

Mr. Daly raised the subject when he addressed the annual conference of the union's Midlands area, covering the Warwickshire and Staffordshire coalfields.

He told delegates in Llanudno: "Some people are already talking about a four-day week. If there is an industry in which a man should be able to get a decent wage for working four days a week, surely the strongest case is that of the miners."

He suggested that the three-day week-end might be brought about in two stages.

First, working a nine-day fortnight, but the pits operating five days a week by rota system; and

later a straight four-day week throughout the industry.

ACAS moves to settle Rolls dispute

By Our Coventry Correspondent

ACAS has intervened in the deadlocked Rolls-Royce dispute in Coventry.

Officials of the Advisory, Conciliation and Arbitration Service will act as peacemakers in talks to-day between management and union officials.

Rolls Royce's two Coventry factories have been shut for nearly a month because of a pay dispute involving the 4,000 manual workers. Another 4,000 clerical workers are laid off.

The company has offered a 9.7 per cent increase, but the manual workers want 10 per cent.

There is also a long-standing disagreement over the company's wish to phase out piece-work.

NUBE opposes move to keep shop hours

BY OUR LABOUR STAFF

THE National Union of Bank Employees has protested to Barclays Bank over its intention to introduce evening and Saturday morning opening at its Brent Cross branch in North London.

The bank is discussing with the Barclays Group Staff Association its proposals to open the branch from 9.30 a.m. to 6 p.m. Monday to Friday, and 9 a.m. to 6 p.m. on Saturday.

Barclays says that the Brent Cross branch, which is in a large shopping centre, is a special case where the opening hours need to match shop hours.

Changed hours at Brent Cross have nothing to do with the productivity deal for staff which involves a pilot scheme of extended opening in a small number of branches.

Brewery hit

PRODUCTION at the Tyneside headquarters of the Northern Clubs Federation Brewery was at a standstill yesterday after engineers and draymen walked out in a dispute over union recognition.

Safety fines 'still too low'

By Philip Bassett, Labour Staff

FINES imposed by the courts on firms which break regulations are still not enough to be a matter of concern, the Health and Safety Executive said yesterday.

In the second annual report of the Health and Safety Commission, Mr. John L. director of the executive, there was still concern at a low level of fines even for serious offences.

"Excessively low fines under the work of our inspectors and devalue the efforts of those in industry who are trying to do something positive about health and safety work."

The executive's report that the Criminal Law 1977, will increase from £1,000 the fines magistrates can impose. It hopes the increase will do something to influence the general level of fines.

A total of 16m. working were lost through accidents in 1976.

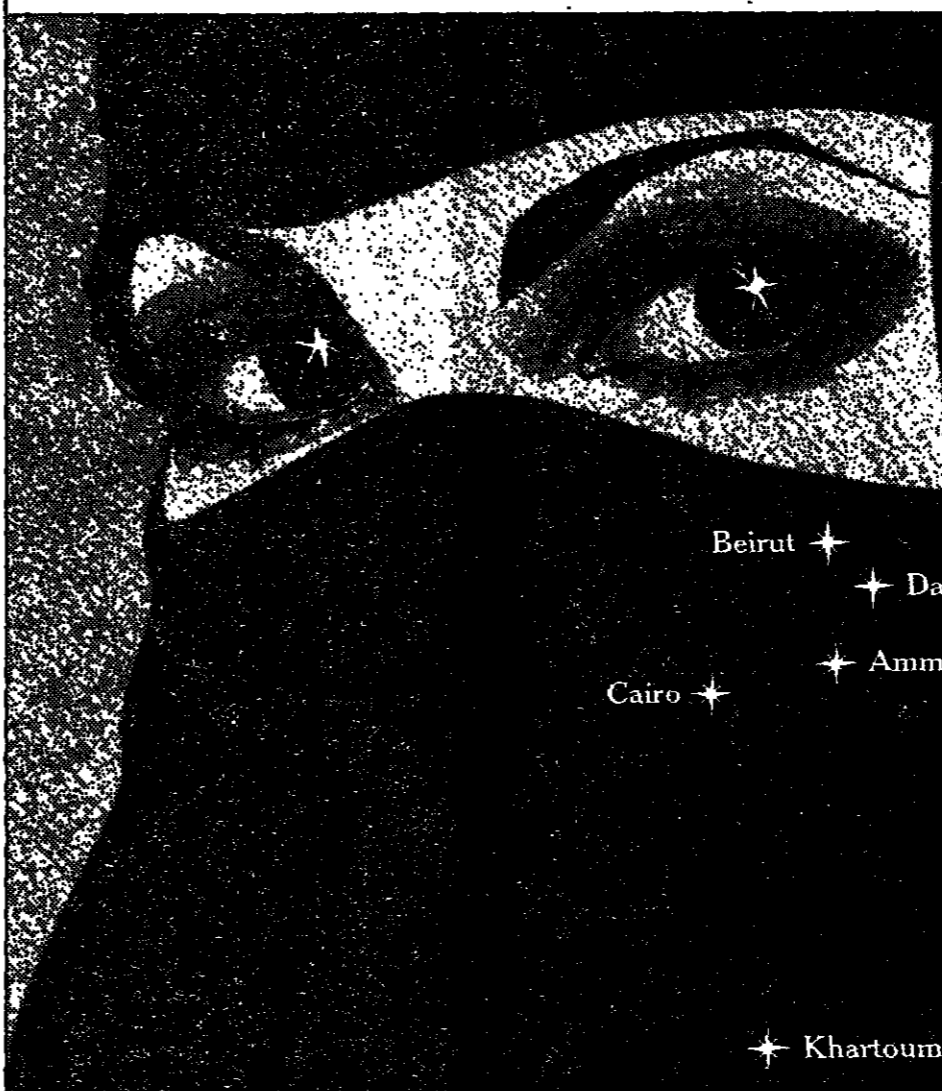
Prescribed industrial diseases account for about 80 working days lost and 700 deaths a year. Many of the deaths result from conditions which have caused the diseases more than 10 years ago, the report says.

The commission has told Albert Booth, Employment Secretary, that Crown should be liable to the sanctions as other bodies breaking safety regulations.

The Government's Training Opportunities Scheme will be more successful if effort was directed at better training in the months before their courses, the first publication of the Policy Studies Institute says today.

It says that three out of four trainees did not get a job in the trade for which they were trained.

Regardez l'Est



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We're opening several Meridien Hotels in the Middle East, too. Extending our hospitality beyond the in-flight service for which we're renowned. The Meridien Hotels at Cairo, Damascus and Sharjah are already open. Four more will follow very shortly: Abu Dhabi, Baghdad, Jeddah and Kuwait. You can even make your Meridien Hotel booking at the same time as you reserve your flight.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHROEDERS

ENERGY

Sun power in the Gulf

KUWAIT INSTITUTE for Scientific Research has a budget of "Kuwaiti" dinars 1.2m. (about \$200,000) for solar energy research and development studies. "Given the high overheads of operating in Kuwait, it is really the equivalent of \$US800,000," the KISR director responsible for solar energy studies Dr. N. A. S. Malik told the Financial Times after his talk earlier this week at the Solar Energy Conference, Soltech 78, in Bahrain.

Soltech 78 is the first major international conference on solar energy to be held in the Gulf and Dr. Malik was speaking to scientists and engineers from over 20 countries. He outlined the major activities of the 18-month-old KISR solar energy programme which a 15-man department is carrying out.

The two primary areas of interest are solar cooling and heating of buildings and the agricultural applications of solar energy. "The major objective of the programme is to commercialise the solar technology for use in this part of the world," said Dr. Malik.

A demonstration dwelling unit which will be heated and cooled by solar energy is under construction in Kuwait and should be ready in a couple of weeks. Allied to a study of solar energy for houses is a study on the energy conservation effects of insulation against the fierce temperatures of the Gulf summer.

Insulation is a subject virtually ignored during building construction in the Gulf but it is

likely that KISR recommendations may be adopted as part of Kuwait's forthcoming new building regulations.

In agricultural application of solar energy Dr. Malik's programme concentrates on solar desalination, integrated food-water-power complexes and greenhouses especially designed to mitigate the harsh Gulf climate. Prototype greenhouses have been built and tested (and produced tomatoes) and one is shortly to be installed in Bahrain where KISR is about to embark on a joint research programme with the Bahrain National Oil Company.

Delegates heard R. N. Morse, of Australia, argue that "until energy costs reach levels where the return on investment is sufficient to attract risk capital, there will be need for government support. The justification for this is that it could lead to an orderly transition from fossil fuels to a renewable non polluting-alternative." In other words, solar energy.

Mr. Morse discussed Australian research work on solar energy with particular reference to a soft drinks plant near Canberra where an experimental installation has been in operation since January 1977.

A breakdown of costs for the plant at 330 dollars per square metre showed that the collectors accounted for about two-thirds of the total, the energy transfer loops with controls for about half and the thermal store for only 10 per cent. "It would appear that the cost of thermal storage is not as high as originally thought, but the energy transfer loops, insulation and controls, need to be given a great deal more attention."

Soltech 78 is an exhibition and conference programme organised by Arabian Exhibitions Management and is taking place in Bahrain until April 27. The conference programme was organised by Prof. David Hall of the University of London, King's College.

MACHINE TOOLS

Accurate turner

MORE powerful than its 130mm. with the 12-tool version. Bar sizes up to 65mm. are handled and the maximum cutting length is 300mm.

Where the extra tools are used, setting up times are greatly reduced and the machine is suitable for short batch runs. Main spindle speeds are selectable in 39 steps from 25 to 2000 rpm. Drive is from an 11kW dc motor. N. C. Engineering, 28 Benskin Road, Watford, Herts WD1 8NV. Watford 24396.

versions of this machine are available for either numerical or computer numerical control. A microscope gauge allows semi-skilled operatives to set tools to within 0.01mm.

In the six-tool version the machine has a maximum cutting diameter of 300mm, reducing to

INSTRUMENTS

Finds the hidden defects

INTENDED primarily to detect and examine defects in aircraft structural elements, fasteners, holes, but also suitable for the examination of pressure vessels, submarine structures and other assemblies where integrity of components made from conductive materials is essential, is what Gulton believes to be the only automatic motorised flaw detector in existence.

It was developed to take account of the fact that fatigue cracks in high stress areas must be found before they become critical and while they are within a size which allows of their removal by over-stressing the hole so that a larger fastener can be used.

The unit provides a tiny motorised scanning probe which rotates centrally through the faster hole while maintaining contact with the wall of the hole. Scanning depth is adjustable.

During scanning, operators can observe what is going on through a display or strip chart—the various types of flaws have characteristic and easily identifiable waveforms.

The system is fully portable and four probes are provided with each, ranging from 1/8 inch to 1 inch in increments of 1/8 inch. A surface probe is available for the use on conductive metal surfaces to find flaws.

Technique Europe, Gulton International, Manly Works, Old Shoreham Road, Hove, BN3 7EY. 0273 776401.

SAFETY

Better emergency wiring

ALTHOUGH the reason for the failure of the fire alarm system at the Summerland fire disaster in the Isle of Man was not established beyond doubt, the fact remains, says BICC, that part of the wiring (wherever the cable was within public view) was in mineral insulated cable while the remainder was PVC insulated cable in conduit.

The commission of inquiry into the fire held that, in their opinion, the failure has been due to the effect of heat on the PVC cable.

The new Summerland, to be opened to the public on May 27, will make use of Pyrotekex exclusively for all the emergency circuit wiring. This includes fire alarm, emergency lighting, and all wiring to the sprinkler system and for emergency door alarms. Some 25,000 metres of the cable have been used.

COMMUNICATIONS

Shows cost of phone calls

DESIGNED To reduce the anguish, and possible ensuing financial pain, felt by domestic and business users when facing their end-of-quarter telephone accounts, is a unit which monitors the cost of the calls and shows, in pounds and pence in large, green fluorescent digits, the price of the calls as they are being made.

This British microprocessor-based product, called the Monitor Telephone Charge Clock, computes and displays the cost of calls, automatically accounting for the day of the week, time of the day, the charge band tariffs and VAT rate, and also incorporates a digital clock.

The charge clock gets its input from a punched card home, but will highlight the economic and unnecessary charges rise. A neat keyboard is fitted to the front of a "plate" on which the telephone

the domestic user's view is that the device is not child-proof. The desk or table top space and comes in seven standard colours to match available telephones.

Designed so as not to infringe the Post Office Act, the unit is not connected to the phone, but runs direct off mains power (with a four-metre long cable) and is activated by the user.

Its primary function is to let the user know how much is being spent on a call as research has shown that most people are unaware of the cost of calls and when asked make haphazard charges by up to 50 per cent. It will not, therefore, prevent or log "cheat" calls in the office or home, but will highlight the economic and unnecessary charges rise. A neat keyboard is fitted to the front of a "plate" on which the telephone

COMPUTING

Control of manufacture

DATRON ELECTRONICS is computerising its manufacturing management by the introduction of a new system called "Manman". Datron—the first U.K. company to adopt the system—has placed the order, valued at £24,000, with Scientific Control Systems (SCICON) and expects it to be in operation within three months, to provide management control and information over a variety of manufacturing procedures.

Based on the Hewlett Packard 1000—with strategically placed VDU terminals—the system will cover inventory control, work-in-progress, material requirements planning, purchasing, product costing and management reporting. The configuration comprises a 128 Kbyte memory processor, a 20Mbyte disc store, three display terminals (two of which are read/write) and a 150 cps serial printer. Datron staff will use the terminals to enter information

NORTH SEA OIL

Monitor watches for leaks

CRUCIALLY important monitoring equipment to detect and report leaks in oil and gas pipelines to the mainland from North Sea fields and between operating rigs is to be supplied by the Ferranti company following an order placed by Shell UK Exploration and Production.

Telemetry systems will cover the pipeline to Sullom Voe and the future gas line to the Scottish mainland, and the pipeline integrity system (PLIS) will have as its primary function to watch for anomalies from a centre in Aberdeen where a mass-balance routine will be run to compare volume input to the pipeline with the volume output at Sullom Voe.

Linked in with this will be the stations on the platforms themselves, operating on micro-computers to monitor continuously pipeline pressures. These stations will detect the rapid rate of change of pressure associated with the shock wave characteristic of a fracture.

Secondary functions for the Aberdeen centre will be logging each platform's production, monitoring main oil-line valves, pumps and other essential units, and monitoring the inter-platform communication system. The master stations will

control, via tropospheric and line of sight links the 37 outstations to be located on eight platforms in the Brent, Dunlin, Cormorant and Thistle fields and at the pipeline landfalls at Sullom and St. Fergus.

Two processors will be used to give the network a high degree of availability. At the operator end will be a series of colour semi-graphic visual displays which will simplify the task of grasping a mass of operational data at a glance. Watchkeepers will be able to call up immediately the latest logs of pipeline data as well as graphical presentation of pump, valve and motor status. Important displays will be stored in memory if the operator so decides.

For emergency intervention the watchkeeper will be able either to throttle back input to the pipeline or close it down completely, simply by pressing the appropriate button.

Access to information held in Aberdeen will be provided through comparable facilities at Sullom and St. Fergus. But neither of these will have ability to influence processing operations in the main centre.

More from Ferranti, Simonsway, Manchester M22 5LA. 061-428 3644.

BANKING

TSB network in Scotland

ALREADY the world leader in financial terminals used by bank staff and by customers to speed banking operations Philips Data Systems has consolidated its position with a win at Scottish Trustee Savings Banks, for the installation of counter terminal systems in 108 branches.

Customers in this instance are a consortium of three out of the four Scottish regional TSB's and they will be operating the Philips PTS 6000 terminals on-line and in real time with a Burroughs B3800 mainframe computer installed at the new TSB centre in Glasgow.

This will be the first counter terminal equipment installed in Scottish TSB branches. Counter staff will be linked via the units through branch controllers and private lines to the stored information in the Glasgow machine.

The requisite communications software has been written by Philips and the systems software is now being developed in conjunction with the Scottish TSB centre.

Installation of the £2m. worth of equipment begins late this year with completion scheduled for the autumn of next year.

COMPONENTS

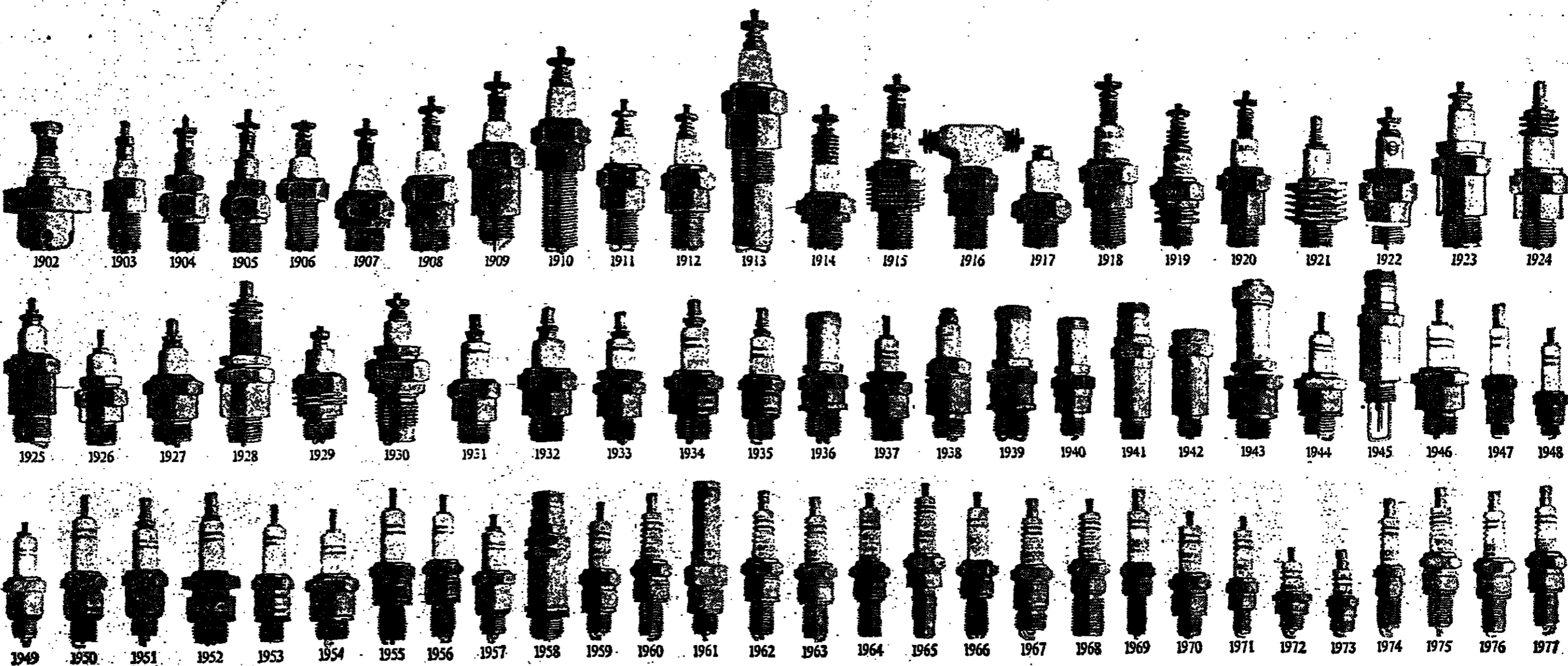
Matches any motor need

ASEA has a new series of helical gear units and geared motors. They are designed for output torques up to 1040 Nm, power ratings up to 7.5 kW and nominal speeds between 2.3 and 320 rpm.

The new gears, with the type designation UAA, are available in five sizes and two versions. Gear housing and bearing end-shield are of high-grade cast iron. The integral feet on the gear housing enable the gear unit to be attached to the foundation. Flange connections for the outgoing shaft are available. Gear units with flanges can be attached either to the

foundation or to the drive machine. Designed according to a modular system, a few components give a great variety of gear units of different ratings. They are available in a long series of different speeds. Gear units of several different sizes can be delivered for each nominal speed. As standard, 2- or 3-stage gear units are available. Larger gear units are also obtainable in a 4-stage version. When used together with 4-pole motors, the gear units can give speeds as low as 0.6 rpm. ASEA, Villiers House, Strand, London, WC2N 5JL. 01-830 8411.

The History of the Motor Car.



In 1902 an engine with a 1 litre capacity developed about 6 HP. Nowadays engines produce up to 60 HP - or as much as 300 HP in some racing cars. To develop and manufacture spark plugs which make such high performance possible, a technological capability is required of a very high order indeed.

Carl Benz called automobile ignition the problem to end all problems. "If the spark fails," he said, "then everything else is useless however sophisticated the design".

Robert Bosch supplied that spark. In comparatively few years Bosch HT ignition systems and spark plugs had become an established part of automobile development. Since then the basic principle of the spark plug has hardly changed. Yet up to now we have produced as many as 20,000 different types of spark plug in order to keep abreast of changes in engine technology.

A good spark plug will burn off soot and other deposits even during slow city traffic. It needs to do this to prevent misfiring, to economise on fuel and give longer engine life. At high speeds on the motorway the plug

must not overheat, otherwise dangerous pre-ignition may occur. To give you some idea of how much Bosch spark plugs have developed over the years, just compare our very first plug with the latest models.

The 1902 plug had to produce sparks at the rate of 15 to 25 per second. Today's plug must produce five times as many in the same time.

The upper temperature limit for plugs has risen from 600 to 900°C, and the HT voltage from 10,000 to 30,000 volts. And finally, whereas modern spark plugs

can last 10,000 miles or more, in the old days the motorist had to reach for the plug spanner every 600 miles or so.

So next time you buy a Bosch spark plug just remember how much of the history of the motor car it contains.

Bosch UK: Robert Bosch Limited, Watford, Hertfordshire

BOSCH

The Management Page

هكزا من العمل

EDITED BY CHRISTOPHER LORENZ

Tapping hidden talents

BY JASON CRISP

JOHN WHITFIELD has just been appointed manufacturing manager of the printed circuit board division at Plessey in Poole. The rest of the factory, which employs over 2,000 people, is dependent on this relatively small division for the supply of all its circuit boards for the manufacture of a wide range of products, from telephone exchanges to traffic light controls. So it is a particularly key division. Yet Plessey has just appointed a man with no experience in manufacturing management.

Not only will the senior management be watching Whitfield's progress with a very close eye, but so will the Engineering Industry Training Board, which has been responsible for preparing him for the task.

He is one of 15 young engineers who are two-thirds of the way through the EITB's first batch of fellowships in manufacturing management. Whitfield's fellowship still has nearly six months to run, but his new job—providing he is up to the task—is a permanent one.

The fellowships came into being following the EITB's realisation that manufacturing industry was not attracting the brainpower it badly needed in management. Manufacturing managers have usually come up the hard way from the shopfloor, having joined as apprentices or after national certificate.

This did not matter until the scope for higher education was increased, since when, according to the EITB, the better people have been creamed off into universities—where they receive little encouragement to go into manufacturing industry. Eric Huggins, senior tutor for the fellowships, says: "In the universities, manufacturing is a dirty word. Academics will encourage even engineering graduates to go into research and development rather than manufacturing. The good intake has dried up."

So the Board realised that there was a pool of talent residing in research, development and design departments which could be tapped. But the problem for anyone inclined to make the transfer was how to get a job of similar status with a proven track record in manufacturing management. The fellowships are the EITB's way of helping young engineers bridge the gap and to show that it is possible.

When the fellowships were first advertised, the EITB attracted over 1,000 inquiries, which resulted in 200 applications. The fellowships are open

to engineering graduates aged between 25 and 33 with at least three years' experience in the engineering industry, probably in R and D or design. On the 18 month course the fellows are paid £5,000 a year either by their sponsoring company—like John Whitfield—or, if they do not have one, by the EITB away from industry.

The growing shortage of gifted managers in industry has prompted a training board to introduce special fellowships to help bright young engineers cope with the rigours of manufacturing management.

Even so, they emphasise the practical bent of the course and describe it as being, "about as unacademic as it is possible to be in an academic environment."

Peter Shorrocks, one of the EITB's senior officials, says that the rigorous selection procedure was not intended to select out academic brilliance, and company visits. The fellows, he says, are put in the evenings and weekends.

Subjects include management accounts, industrial relations and law, organisation, project planning, production planning and control, and motivation. The emphasis is always as practical as possible.

After a six-week break with a vacation study project, the fellows return briefly to Cranfield before setting out on the major practical side of the fellowship, gaining their "track record." And it is here that the EITB has faced its greatest problem—persuading companies to allow fellows into a real job where they make real decisions, and are not tagged on to some other manager who will treat them as a millstone. About half of the first year's sponsored fellows worked in their own companies, while the other half have moved into different ones in order to gain wider experience.

Somewhat reluctantly, the EITB staff do admit that not all the projects are proving a success. They say that about half are going very well with the fellows gaining real management experience. Of those that are not so successful the blame, according to Shorrocks, lies evenly between the fellows, the

company managements or the fact that the project was unsuitable.

The EITB officials say they will be spending much more time auditing projects and the ability of companies to provide the right training.

John Whitfield's project at Plessey is certainly one of the better ones. Before he took the fellowship he had been a group leader in design and development at Poole. He decided he should try to move into general management because the horizons looked decidedly broader and at 34 he is the oldest fellow. The first five months of his project at Poole were spent investigating the long lead times of certain "bespoke" electronic equipment.

He has just completed this task, culminating in a presentation to the managing director of Plessey in Poole, with proposals for reducing the lead time by 20 per cent. Whitfield says he has "learned one hell of a lot." His approach was similar to that of an outside management consultant and involved the detailed study of the manufacturing process, from sale through design, right through to delivery for one-off products.

At the beginning of April, in the final phase of his fellowship, he became manufacturing manager of the printed circuit board division, which has been something of a problem post in the



John Whitfield (left)—one of the training Board's first batch of fellows. He's just been given the job of manufacturing manager of the printed circuit board division at Plessey.

past. While it only employs 33 people its essential character within Plessey, as supplier of circuit boards, to other divisions, is obvious.

Gordon McDonnell, who is now both Whitfield's tutor and boss agrees that the new job is a big responsibility: "He's either going to make it or fall flat on his back... we will know within a couple of months, but I am certain John's going to make the grade."

Both Huggins and Shorrocks at the EITB make it clear that they see the scheme as a catalyst. Clearly the fellowships

will be very useful to the people involved each year, but the impact on industry is going to be very minimal. Their success will really be measured by the extent to which many other companies develop similar programmes of their own. Even if companies are willing to provide the right sort of training there is still the problem of making a career in manufacturing management attractive. As McDonnell says: "My private view is that there are just not enough people interested in manufacturing as a career... it is a hell of a grind."

THE TRADING world is becoming increasingly competitive. More companies are having to send more employees abroad in search of business, and also, of course to carry out existing contracts. British nationals now often have to spend some time in areas that have poor hospitals and medical facilities.

Apart from the need—some would say duty—to look after employees overseas, the company needs to protect itself against the financial loss it would suffer if anything unforeseen happens to a key man or woman.

Travel insurance has been available for many years, but the

usual type of contract is designed primarily for holidays. The needs of the businessman have not usually been fully catered for in such contracts. But recently Royal Insurance launched a new form of business travel insurance aimed at providing the complete protection

Getting the right protection abroad

BY ERIC SHORT

needed by the employee and his ment with the U.K. on National Health facilities; where there is an agreement, its practical use is limited. But Royal has added a new form of protection, the personal emergency service.

This will meet the cost of travel and accommodation of a relative and/or business associate to attend the bedside of a seriously disabled employee. It will repay the costs of repatriation under medical escort of the disabled employee.

To protect the company from loss, the cover includes the cost of travel and accommodation of a replacement to fulfil the original employee's assignment.

The policy allows for maximum flexibility on the number of employees covered. A deposit premium is paid at the start of the policy year and adjusted periodically, according to the number of employees covered in the period.

Where U.K. expatriates are working overseas for longer periods, employees need to provide accident and sickness cover not only for employees, but also for their families as well, if they have accompanied him or her. The Norwich Union has been active in this area, particularly with building and civil engineering companies.

BUSINESS PROBLEMS

Compulsory purchase

Our business is being closed down, because of a compulsory purchase order on the premises. The two directors hold all the shares in the company. Presumably we shall be able to claim against tax for loss of office for the directors and redundancy for the workers. Would it be better to wait for the youngest director who is just 59 to reach the age of 60 for capital gains tax purposes, before liquidating?

Statutory redundancy payments to the employees will be deductible in calculating the company's profits for corporation tax purposes (subject to the 41 per cent. rebate from the Redundancy Fund), but any payments beyond the statutory figures are unlikely to be eligible for corporation tax relief, since the company is ceasing to trade. It is most unlikely that any provision for the two directors will be eligible for corporation tax relief, since they are the owners of the company's entire share capital.

It is not wise to delay liquidation long after the cessation of the company's trade. Under the terms of the concession announced by the Inland Revenue in August 1976, CGT retirement relief is only given in respect of liquidating distributions made within three years of the cessation of trade and, in any event, the relief is based on the age of each shareholder at the date the trade ceased.

Property dealing

Two of us are directors of a private property dealing company, which has bought a house which we hope to sell later, at a profit, to offset against an earlier agreed loss. The rent of the property is thus incidental to the main purpose. We have done a lot of work on the house

ourselves, so can we claim that part of the directors' fee from the rent can be counted as earned income?

The previous dealing which resulted in a loss was funded by a loan from us to the company. Could we therefore repay the rent to ourselves tax free, as repayments to loan account?

As you say that it is a property-dealing company (as distinct from a property-holding company), the eventual sale of the house will presumably give rise to a capital gain; we take it that the agreed loss in question is the property-dealing case I loss, carried forward under section 177 (1) of the Income and Corporation Taxes Act 1970.

Directors' fees are in fact earned income, as defined in section 530 (1) of the Taxes Act, and justifiable remuneration should be allowable in the company's schedule D corporation

No legal responsibility can be accepted by the Financial Times for the answers given in the columns. All inquiries will be answered by post as soon as possible.

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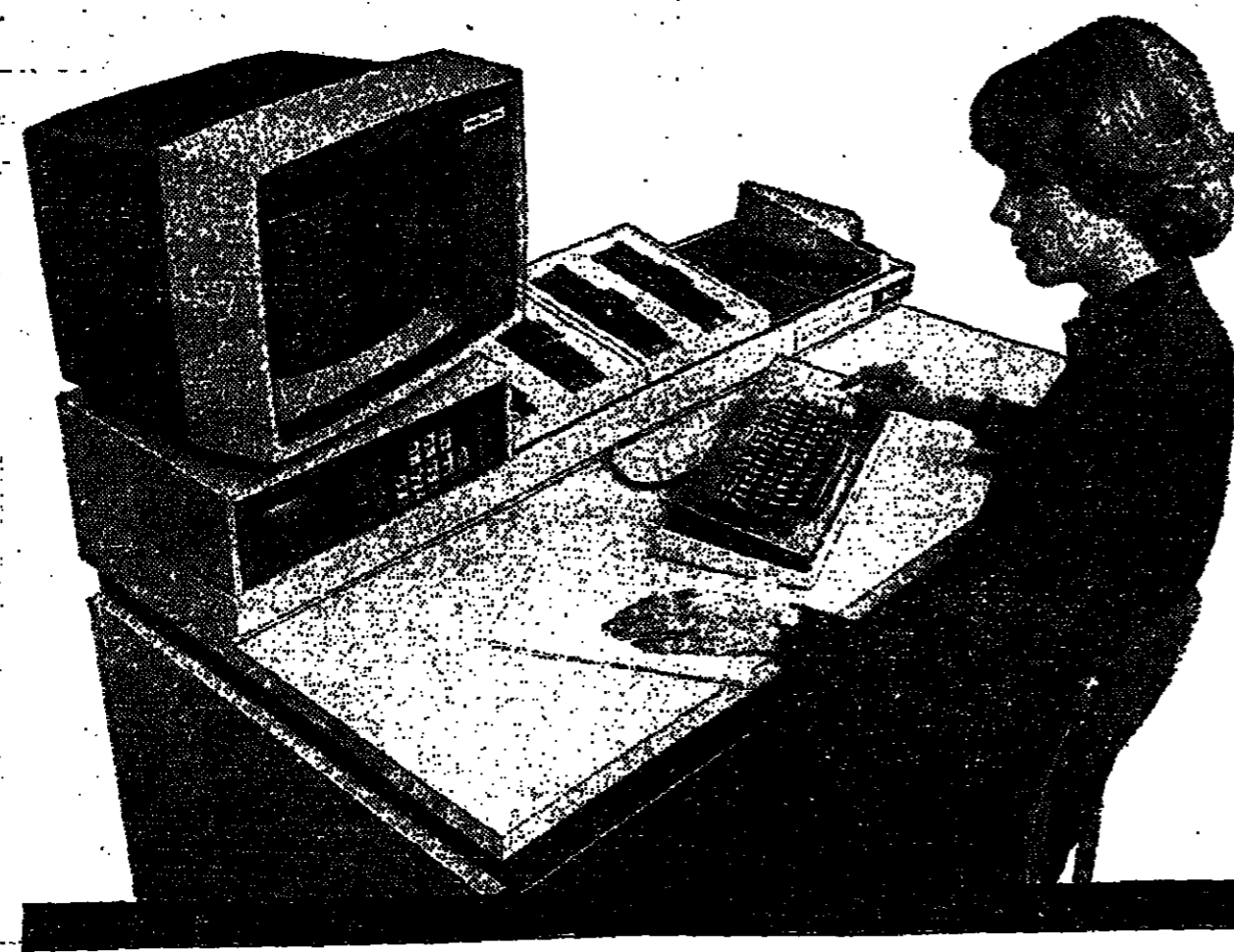
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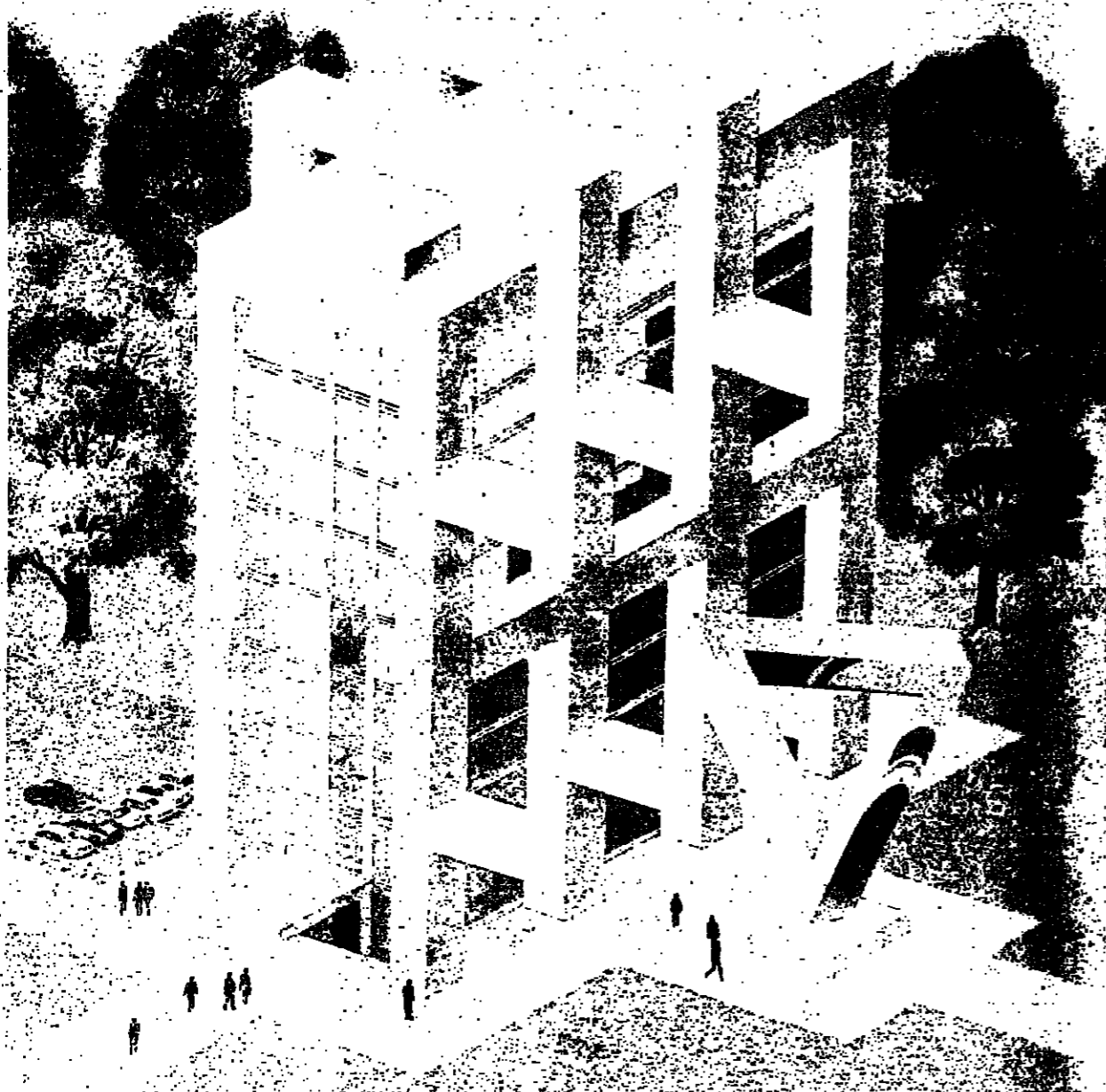
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78 FTI

AT FIRST sight, discussions about unemployment policies in Germany may seem to have little relevance for Britain. In the Federal Republic, incomes may be growing more slowly than before, but they still grow faster than they have done in the U.K. for many years. The Germans' share of the world's export trade is still rising even in a recession. They have a large balance of payments surplus on current account. Since the late 1960s, they have reduced the number of foreign "guest workers" by nearly 1m, avoiding at least one possible cause of rising unemployment.

On a comparable statistical basis, their percentage of unemployed is probably half ours, yet it still means well over 1m. out of work. In the U.K., we have 1.1m. by our methods of measurement, and thanks to some energetic short-term measures by the present Government, the figure appears stable or even shows a tendency to decline. Yet when the Department of Applied Economics in Cambridge bases its policy recommendations on over 4m. unemployed in the medium term, they are berated for their prescriptions, not for their forecast of rising percentages of work.

In the U.K., we expect a slackening of the demand for labour largely because of the failure to maintain effective demand at home, and our shrinking share of the world's export markets. We also expect some loss of workplaces through rationalisation, and automation: in other words, a rise in productivity. The Germans on the whole do not believe that their growth rates, and their share of War II took a much heavier toll of those born after 1920 in Germany than in the U.K. Both countries have a "demographic labour gap" coming up, but it is worse in the Federal Republic than here. Other things being equal, this effect could mean 1m. extra unemployed in the U.K. and about 1.1m. in Germany. So both countries face the certainty of extra difficulties. And in both countries, hopes of dealing with the situation by conventional Keynesian techniques, or even by the complex reflation tactics now being hatched out, are fading steadily.

And as fewer and fewer people believe that full employment and continuously rising expenditure.

"In Germany the first overt discussions about shortening the working day, the working week, the working year and the working life, without proportionate income compensation, are now taking place. It is time for a similar debate in Britain."

If these were the only factors, living standards will return, so the Germans would expect some increase in unemployment, and slowly being broken. The young generation's lack of confidence may (and you can hardly blame them), on current American hypothesis, be the main reason for the fall in marriage and fertility rates, which is common to all countries, with Germany and the U.K. in the lead. In the long run, the women's wage will have to make up the joint household incomes and this aggravates the unemployment problem: children are too expensive, and by the 1990s both countries will reap the "benefit" of fewer labour force entrants. But other side-effects apart, this is no solution.

In Germany, we have now the first overt discussions about shortening the working day, the working week, the working year and the working life, without proportionate income compensation. The unions have always favoured fewer hours, provided real incomes remained the same, or rose as a means of spreading employment opportunities. Employers have been less enthusiastic: overheads remain the same, and labour costs rise. Thus, industry, and most economists, prefer unemployment to load-spreading.

In Germany, given the much better earnings-related unemployment benefits, losing one's job is not quite such a tragedy as it is in the U.K. However, the fact that unemployment is degrading, and long-term unemployment totally destructive, is beginning to sink in. And so the new packages are being discussed: no overtime, longer annual holidays, 30-hour weeks, two-shift working in offices, even a three or four-day week. Much of this has been discussed in the U.K. as a short-term measure, but never as a long-term solution, and always in terms of maintenance of in-

comes for those whose working hours were cut. Better to have 15 per cent of the workforce unemployed, we say, and living at half the national average living standard, than 3 per cent unemployed and 97 per cent drawing 10 per cent less, in real terms, than they would if they were all working (knowing that many of them would not in fact work).

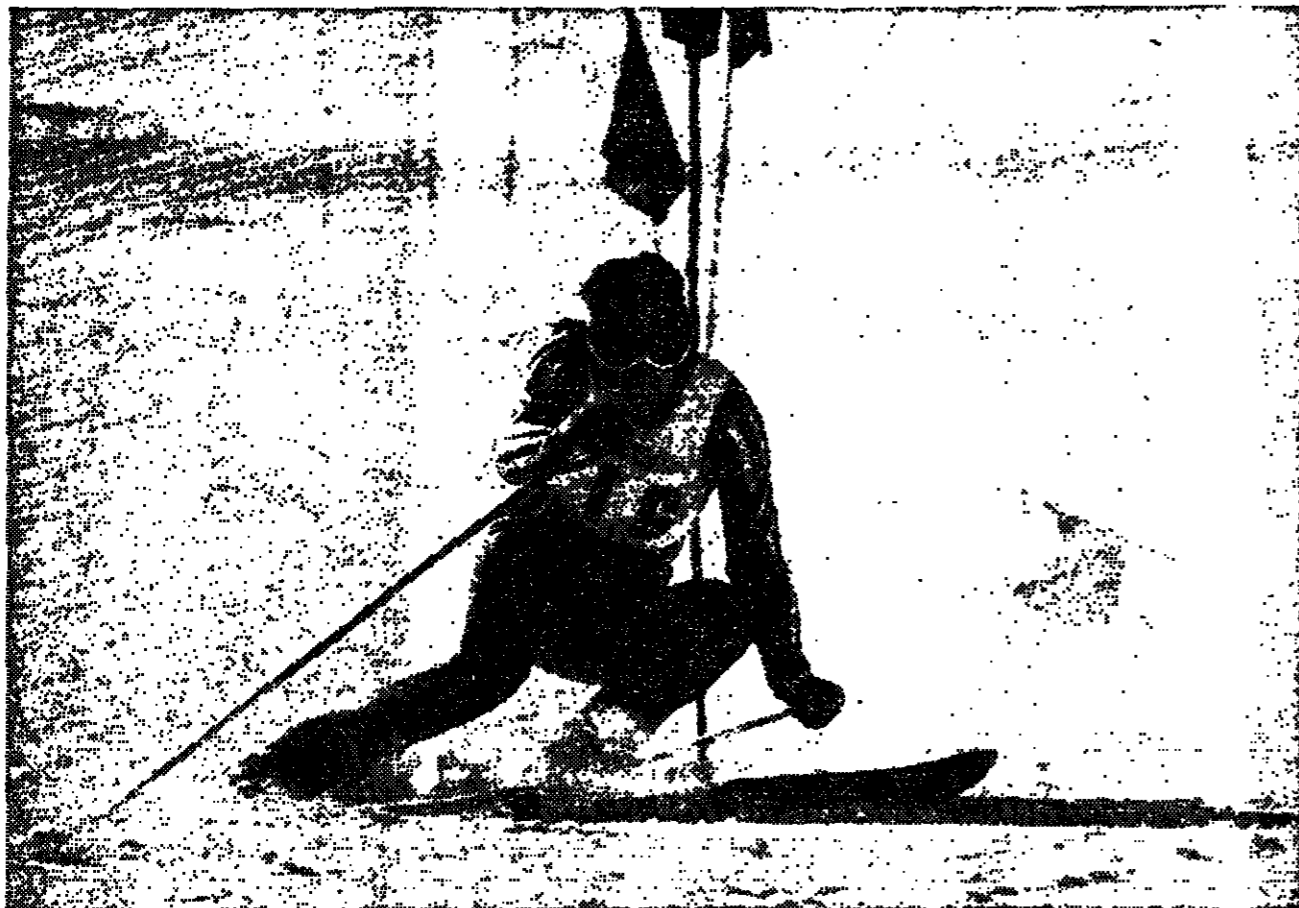
In an analysis of the long-term prospects, Dr. Christine Foeppel, a well-known Bavarian economist and journalist, has now put the dilemma to the unions, the employers and the politicians. (Die Vollbeschäftigungsformel [The Full Employment Formula], Fischer paperback, 1978.)

She is outspoken about the reasons why most people instinctively reject any work-sharing formula as "uneconomic," "anachronistic," even "socialistic." So her argument is partly based on a complex analysis designed to show that even from the point of view of long-term economic growth or at least stability, work-sharing makes sense. However, in the last analysis, her appeal is humanistic: the price which society would pay for its economic survival by totally demoralising both the young and the old is too high. She fears less idealistically, and probably rightly, that increasing unemployment among the younger graduates (far worse than here) will increase political tension; another good reason for not following the narrow prescriptions of the growth economists.

Putting together the German discussion, and the analysis of our own experts outside Government, there seems to be an escape from the problem either in an economy which may seem to be still fairly healthy on our own. It is unlikely that anything will be done in the short run. But at least the discussion ought to start. Dr. Foeppel sets out alternative ways of doing what is required: some are rejected as impracticable or irrelevant (like giving women a year off when they have children). Perhaps we ought to perform similar calculations here, and test the reaction of unions and employers. The Germans no longer hope the spectre will go away: we have even less reason for optimism. But perhaps the ability to discuss such matters freely grows in inverse proportion to their urgency.

David Eversley is a senior research fellow at the Policy Studies Institute.

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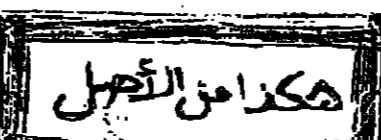
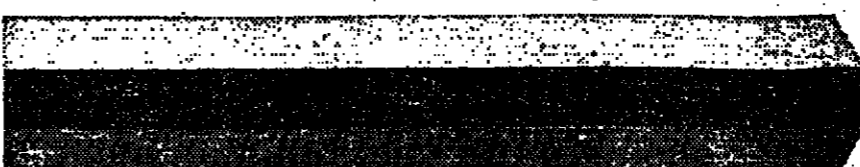


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An ABC of children's programmes

by CHRIS DUNKLEY

Here are six quotations taken from television during the last fortnight:

"Co smashin', right, and now tim fer are not box situation. This drink is sensited. It tells me you need rest. And perishment. And relief from inner tension."

"It's a lovely feeling is that and I bet Prince Andrew is right royally chuffed."

"Part we've got sompn vurry special for you. Four kids com ere were g'ner ave a look 'n see there's nothin' onderneath thar 'overcraft' over thur."

"He leans on a stool, feels a little boilder, and goes across to the vig cave-man whose name is Grotto. It's his cave, see. Do you know where a general keeps his armies? Up his sleeves."

"No one shall take his life but me. I shall flay the skin from his living body and wear it about me like a cloak."

Anyone able to identify the parts in that little collection obviously has young children and spends a lot of time at home in the daytime because they are taken, in order, from: *Cheppers* (BBC), *Logan's Run* (ITV), *Blue Peter* (BBC), *Runaround* (ITV), *Think Of A Number* (BBC), and *The Feathered Serpent* (ITV).

They point up a number of facts about what has been happening in children's television since it last occupied the whole of this column 15 months ago. Taking the last quote first for instance, the amount of really nauseating violence scarcely seems to have diminished.

Thames Television and the Independent Broadcasting Authority are evidently perfectly content to aim the sort of verbal obscenities quoted above at a target audience of young school-children. It would be fascinating to know what IBA director-general Sir Brian Young or *Feathered Serpent* producer Vic Hughes would say to the insistent six-year-old asking "What does flaying skin from a living body mean? And how do you make a cloak from it? And why?"

The *Logan's Run* content represents American contempt and my general impression without using a stopwatch, is that this remains pretty constant too. The BBC runs at least four American cartoon series (*Batman's Comics*, *Dastardly and Muttley*, *Scoby Doo* and another Hanna-Barbera series that is new to me, *Left-Lympics*) and the verbal content of these is presumably incomprehensible to most British children.

"Trick or treat," "strike two" and "rat flak" — which all cropped up within a few minutes in last week's *Left-Lympics* — are familiar neither as phrases nor as concepts to British children.

However, since the birth of Mickey Mouse was over thus and quite a large proportion of children's television continues, for good or ill, much as ever, another generation of toddlers (perhaps the best served minority in the entire national audience) is singing along and shaking its tins of buttons with *Play School* and *Champion The Wonder Horse* is still rearing up on his hind legs and frightening monochrome villagers. As usual last week he galloped over and did this as soon as the baddy's gun ran out, can *Champion* count up to six?

Moreover several of the series which seem to run for ever: are not just good of their sort or good by children's standards, but

better than almost anything else on television. I forced to keep just one of BBC's magazine programmes, for example, there would be no difficulty in deciding to drop *Nationwide* but which would you choose between *Tonight and Blue Peter*?

It was the inimitable John Noakes (who now shares the presentation of BP with just Lesley Judd since Peter Purves left for the new BBC 1 children's sports series *Stopwatch*) who delivered the Prince Andrew quote above as an introduction to BP's film of Noakes' own two-mile high free fall with the RAF's Falcons parachute team last week.

There are very few regular programmes of which you can say that they are always enthusiastic, but never frantic for the sake of effect: always sane, but never boring; forever revealing the unusual without descending to the contrived; never malicious; never violent; and never condescending. Yet you can say all that and a lot more about *Blue Peter*. Noakes, Judd and producer Biddy Baxter fully deserve all the awards and plaudits that they win.

And in *Take Hart* the BBC has a series which habitually exploits television just as though it weren't second-rate cinema, second-hand theatre or second-division literature. Would that there was a single series for adults which used stop-motion photography, music, electronic effects such as chromakey, and all of television's other exorbitant effects with as much imagination as *Take Hart* and his director and producer Christopher Pilkington and Patrick Dowling do. (Incidentally the sooner we get a whole series devoted to the marvellous *Plasticine* man, Morph, with the Peruvian flute voice, the better.)

Though the title of *Take Hart* may be new, the concept is, of course, broadly that of the old *Vision On* but with two or three fewer presenters.

In brief, then, much of children's television goes on as it has for years, and some of it is outstandingly good. However, there is also a growing body of more recently established programmes

which are characterised by reactions against the familiar values of British broadcasting, and in favour of that craze for the demotic which has permeated so much in Britain in the second half of the seventies.

No doubt every generation tends to react against the previous one, in broadcasting as in all things, and in some respects this is very healthy. For instance, the one-time domination of the air waves by white males (Cheppers) or knowing how to speak standard Southern English clearly had to change. Yet it is hard to recognise as an improvement the present position in which it is practically impossible to get a start in presentation unless you are a white male speaking standard southern male speaking standard southern English, and only possible if you are female or some colour other than pinko-grey or speak in an accent impenetrable to those born outside your northern puns and jokes, but his programme like the other new ones

even that, however, seems less important than the apparent reaction against the values represented by *Vision On* and *Take Hart*, *Blue Peter* and its copy *Mappie*, and even the costume serial dramas produced by BBC Children's Programmes (the for so many years are being beautifully photographed *Canal* Children currently being repeated, for example), these programmes have always stood for the unusual, for individual skills, the remarkable, the idiosyncratic and those things which are not necessarily easy to achieve.

The new programmes such as the BBC's *Cheppers* *Plays* *Pop* and *Think Of A Number*, ATV's *Bunch Of Fires*, and Southern's *Runaround* stand for no such things, they all seem to have been born out of the same spirit of unthinking egalitarianism as that which inspires those wanting to banish all educational selection (unless it be for soccer players or pop groups).

The programmes in this new wave are devoted to the adulation of the ordinary, the unremarkable, the easy to achieve, well served by television, *Cheppers* (a reference to Keith Chegwin, the unhealthy looking but second rate rock groups and young northern presenter who over-orchestrated parlour games,

skips about like a pixie with tubby hips and buttocks crammed into oeright jeans) has a participating audience of young school children as do *Runaround* and *Think Of A Number*.

On all these shows the children are encouraged to applaud one another, and often themselves, wildly for the most banal achievements: banging a wooden peg with a wooden mallet (Cheppers) or knowing how to spell Mowgli (*Runaround*).

Think Of A Number seemed to be aiming for something better. In Episode 1 presenter Johnny Ball began by saying that nearly everything in science could be explained by a very basic mathematical concept. But the first two episodes have contained a lot of quick tricks and virtually no mathematical explanations. Ball does have a nice line in puns and jokes, but his programme like the other new ones

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Free-falling John Noakes of "Blue Peter"

Old Vic

Twelfth Night

by B. A. YOUNG

A four-piece group The settings of the songs, Mr. Fraser the lines demand it, and to good with a sword (a Japanese again), lurks upstage playing effect. Malvolio has a rich, aristocratic voice poisoned with a check two-piece suit such a might see on Grand National in the Rover's Return? When she tells him "Now do him such vast pride, Michael he is a reasonably consistent figure as Ronnie Stevens grows old, and people dislike liation all the more pathetic, him, probable or not. John dent is not one of nature does not try too much to make Tobys, and clowns him him funny. Of course he is lessy. Maria (Carol Gill on the beach with her hair any-funny in his yellow stockings, not only consistent but er how, shows little romantic cross-gartered, with a yellow probable, never for a ma promise; but once she has plume in his hat that Shake allowing her fun to go too changed sex (achieving an apse, never thought of but The production as a twin brother Sebastian) things is a figure we can only laugh Robertson, is light and ch clearly designed to extra long coat she wears, which seems to be designed to make her look comic as the text would take. They have it extracts a little too feminine; but her talent is best are never quite convincing in for my taste; but a prod expressed in her boyishness, modern kit to my mind; why with this Feste can be al though she can go romantic when should Aguecheek be fencing many, many faults if nece

The holiday air leads to much social relaxation. Feste, in spite of the like majesty of his first joke ("Take away the lady"), sits down with Olivia at her table without an invitation. But the understanding between them is special. Robert Edlison gives the best Feste I have ever seen, a sad old Archie Rice who knows that his jesting days are over but must work at it all he can, even accepting such nasty jobs as mocking the imprisoned Malvolio in the person of Sir Topas, and begging for more largesse whenever the chance presents itself. He was a great entertainer in his day, you can tell that from his singing (new

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Quagline's

Three for the Road by ANTONY THORNCROFT

Anything that aims to amuse Londoners, or rather London tourists, after midnight must be welcomed even "Three for the Road," the "musical revue" which opened the revived Quagline's on Monday night. Breathing life into the night of the town, its latest manifestation aims to combine the flavour of the month—the Embassy was gaily vamped up a first night balance sheet would put the food and the side vice very much on the credit side. Unfortunately for your £9.50, a hundred pence more at the week-ends, you also get a clientele throughout the years: it was well patronised by comfortable county families celebrating their fourtieth wedding

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Wednesday April 26 1978

A demand for skills

DESPITE THE apparent stagnation of output, the unemployment figures continue to drop and the number of unfilled vacancies to rise. The underlying trend of unemployment—as measured by the number of those wholly without work, excluding school leavers and allowing for normal seasonal fluctuations—has now been falling for seven months in succession, and the latest drop is the largest of the seven; the number of unfilled vacancies has been rising for six months in succession. Not only are these trends difficult to square with an almost unchanged level of production but there is little evidence in recent industrial surveys of an increase in demand for labour, except in certain skilled categories in which scarcity has persisted throughout the recession.

There are several possible explanations of this persisting discrepancy and more than one of them may contain an element of truth. The first is that output is in fact rising more rapidly than the official statistics suggest: the measurement of production is particularly difficult when prices and stock levels are changing rapidly. This, however, is more plausible with regard to the most recent unemployment figures, since these are published comparatively soon after the event. It does not explain why unemployment, after rising sharply throughout the summer months, began to fall in October.

A second possible explanation is that there is something wrong with the unemployment statistics themselves. It is odd, for example, that the number of those joining and leaving the unemployment register—the change in unemployment is the small difference between these two relatively large totals—has fallen quite sharply over the past few months. It is worth noting, too, that actual employment has dropped in the past 12 months, recorded, it is possible, that the seasonal pattern has altered and that seasonal corrections have gone awry. There was, after all, a drop in unemployment recorded

in the early months of last year, followed by a steep rise in the summer. It will not be until June, on this supposition, that we shall know whether the apparent fall in unemployment is genuine or a statistical accident. Two other related explanations are worth a mention. One is that a high proportion of the total drop in unemployment since last autumn has taken place in the south east region of the country, where the percentage level of unemployment is lowest. This would be an understandable consequence of the rise in consumption which higher earnings, slower inflation and lower taxation have combined to bring about. In the month to mid-April, as it happens, this pattern has changed to some extent, with substantial unemployment falls in such depressed regions as Scotland (7.3 per cent unemployment) and the north (8.2 per cent) and the south west (6.4 per cent). The tendency for the traditional disparities between the regions to become more marked again is perhaps beginning to go into reverse.

The limits of pay policy

NO ONE pretends that pay policies are fair. There are occasions when they may be accepted by the public for a short while; but the longer restrictions are maintained the greater will be the anomalies and distortions of pay structures and the greater will be the risk of the policy itself coming into contempt. Other groups in the community besides the armed forces have seen their pay fall seriously behind because they have been subjected to the strict limits of the official pay guidelines and are unable to work on overtime or shift work rates, participate in self-financing productivity deals, or make up their pay packets through other forms of wage drift. But servicemen are singularly disadvantaged compared with most others in being unable to resign at short notice to move to a better paid job elsewhere.

Balance The introduction of the military salary in 1970, followed by the setting up of the armed forces pay review body, was a recognition of this factor. The new salary was to be based upon the concept that members of the forces should be paid similar rates to those for comparable civilian jobs, adjusted by an "X" factor to allow for the balance of advantages and disadvantages of service life—the danger, the frequent moves, the restrictions on personal liberty imposed by military discipline, and the inability to change jobs freely. Comparability was to be assessed by the review body, together with the charges that servicemen should pay for their food and accommodation.

This system has been allowed to operate properly in only two of the last seven years. The shortfall and distortions in service pay bred by the Heath Government's pay policies were not so severe as to be incapable of being fully made good in 1973, but since then the military salary has fallen so far behind again as to require increases averaging 32 per cent, if the forces were to be put in a position of suffering no more than the community generally.

Last year and the year before the review body accepted that there was an over-riding need

PARAMOUNT Chief Kaiser Matanzima, Prime Minister of Transkei, formally withdraws his ambassador from Pretoria on April 30, yet little will really change in the relationship between South Africa and the tribal homeland. The Transkei budget just announced still provides for South African aid totalling R113.5m (£80m). Trains will still cross the border, electricity supplies will continue, remittances from some 350,000 Transkei citizens working in South Africa will still flow. Some 800 South African civil servants will carry on working in the "independent" Transkei, all by courtesy of the South African Government.

The reaction of Mr. John Vorster, the South African Prime Minister, to Chief Matanzima's gesture, apart from injured innocence at the accusations of "contemptuous and brutal" treatment was passive. "It is he who has made his bed, and he must sleep in it," Mr. Vorster declared. "It goes without saying that we shall honour our undertakings. It is not we who will ostracise the Transkei. It is the Transkei which has ostracised itself."

Undoubtedly, however, Matanzima's action calls into question some of the basic assumptions of the South African master plan—and it means that the system is now being challenged from each end of the black political line-up.

Mr. Vorster's grand strategy as inherited from his predecessor, Dr. Hendrik Verwoerd, seeks to create independent ethnic states for each black tribe in South Africa, leaving the rest of South Africa as a majority white state without black citizens, albeit with coloured (mixed race) and Asian minorities. To accomplish this the tribal homelands must become reasonably viable states, and the flow of the black population into the "white" urban areas must be reversed. Mr. Vorster must defuse the political aspirations of the existing urban blacks, and persuade them to exercise their ultimate political ambitions within their respective tribal areas.

Mr. Vorster has faced challenges from radical urban blacks, demanding both greater economic opportunities and a greater political say in the system; and from unco-operative homeland leaders, led by Chief Gatsha Buthelezi of KwaZulu, who refused to accept independence outside a unitary South African State.

Now, however, the Government is being challenged from "within" the citadel. The Transkei move means that even the most conservative and hitherto co-operative of homeland leaders finds it difficult to stomach his appointed role in the apartheid system. Chief Matanzima's action raises the

question whether the final patchwork of independent homelands can ever co-exist with their parent State: whether the policy of separation does not in fact aggravate rather than accommodate the innate stresses of a multi-racial society.

Chief Matanzima's complaints are two-fold. He lays claim to the district of East Griqualand, something of a no-man's land on his north-eastern border, which is claimed both by white farmers and by its original Griqua settlers. If it were transferred to the Transkei, it would consolidate the country into two positions rather than its present three.

The second complaint, as spelled out by Professor M. Ntseane, the ambassador in Pretoria, concerns the treatment of Transkei citizens in South Africa. They remain subject to a whole range of restrictive legislation governing their movements, jobs, and leisure.

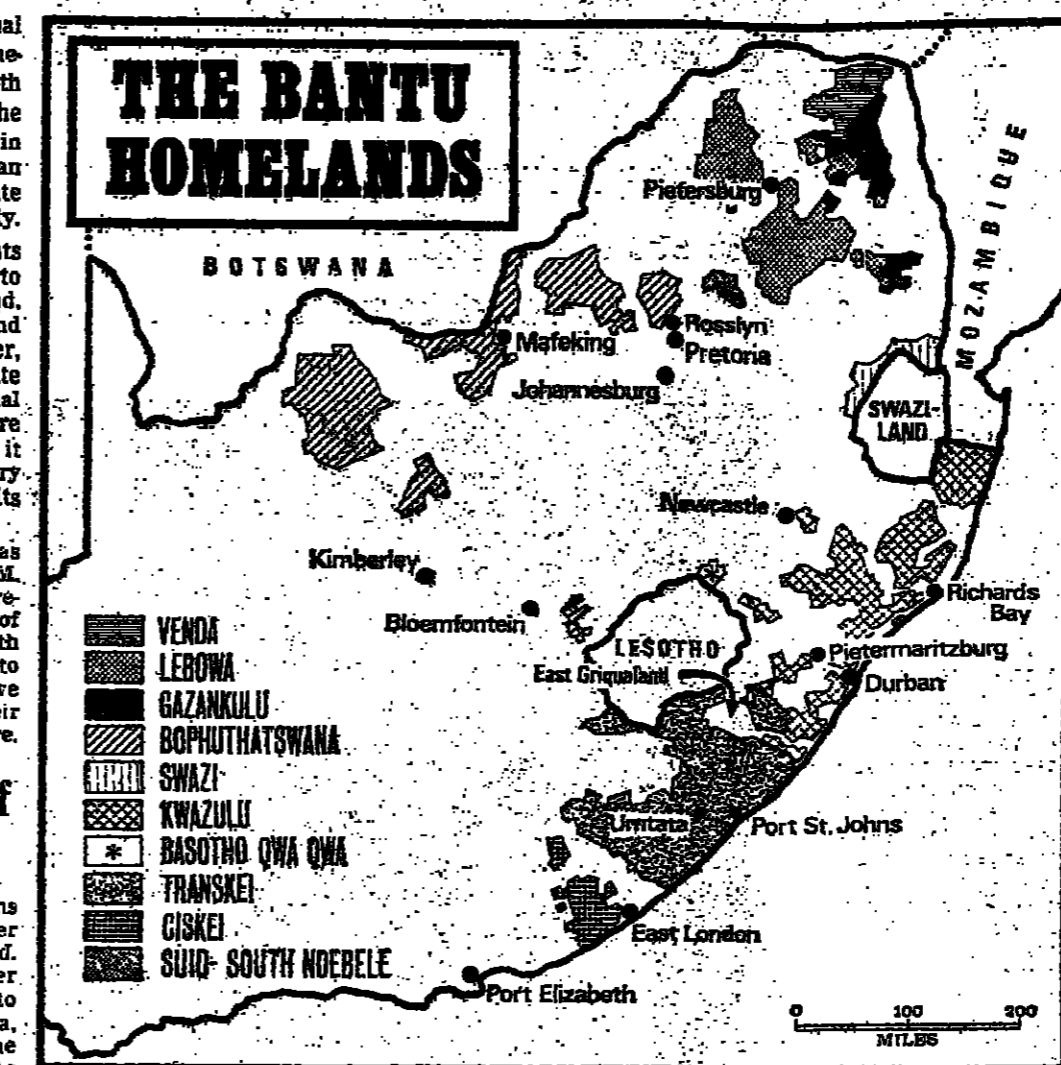
Balkanisation of South Africa

Chief Matanzima's objections concern the enforcement, rather than the principle, of apartheid. Chief Buthelezi, on the other hand, is adamantly opposed to a Balkanisation of South Africa, which is fundamental to the National Party blueprint. As for the radical urban blacks, as represented by the Black Consciousness Organisations, they totally reject the homeland concept and insist on nothing less than majority rule in South Africa. They absolutely reject any move to deprive them of their South African citizenship in favour of citizenship of one or other homeland.

The Government response to black opposition has been very slow. National Party spokesmen maintain that opposition is much less widespread and significant than their opponents make out. Mr. Vorster in particular has consistently refused to make any move that might be seen as a response to pressure, especially violent pressure.

Since the general election in November, however, when the National Party was given a landslide victory by the all-white electorate, the pace of change appears to have quickened. Several moves have been made to implement Mr. Vorster's declared policy of "moving away from discrimination." Theatres have been told that they may apply for annual permits to play to mixed audiences; Churches have been told they need no longer apply for permits to allow blacks to attend regular services; private schools have been allowed to admit more black pupils; sports clubs have been told they may apply for "international" status to allow black members to join

BY QUENTIN PEEL, Johannesburg Correspondent



white in club-house activities, as well as on the field; and multi-racial night clubs have even been allowed to open in Johannesburg.

These moves, however, have been cautious in the extreme: the concessions in private schools and night-clubs could be very temporary. Claims by Dr. Piet Koorhof, the Minister of Sport, that sports apartheid has disappeared appear questionable as long as white spectators cannot attend multiracial football matches in black townships, and while a complex system of permits remains in force for most multiracial activities.

One move announced by Mr. Vorster as a major concession was his intention to do away with the hated pass laws, under which blacks must carry an identity pass at all times, and present it on demand to a policeman. An average of 180 people a day were arrested for pass law offences in 1976. Mr. Vorster announced that instead blacks would in future be required to carry "travel documents" issued by their Homeland Government. The basic regulations governing influx control would remain, strictly limiting the access of blacks to "white" urban areas, and restricting any claim to permanent resident status.

Thus the change merely gives the homeland leaders the un-

primarily because it does not allot any place to urban Africans. Legislation has been put back to 1979.

There has been a relaxation of restrictions on black traders operating in the townships. The ban on blacks acting as managers in the white city centres has been maintained. More important, two government commissions have been established to investigate the whole area of labour relations. The Wiehahn Commission is not expected to report until the second half of the year, but informants suggest that while it may recommend recognising black trade unions, it will simultaneously propose sweeping restrictions on the trade union movement as a whole. Indeed, plant-based enterprise committees, which might have some potential for negotiation for the different racial groups, but allow minority groups a veto, would be encouraged. The other commission, run by Dr. Piet Koorhof, economic adviser to the Prime Minister, is looking at the whole area of legislation as it affects urban blacks as workers.

Perhaps the clearest example of the limitation of Government-inspired liberalisation comes from proposed changes in the law to allow blacks to take out mortgages to buy their own homes in the townships. Dr. Connie Mulder, the new Minister of Housing and Municipal Affairs, has rejected the plan.

Development (the new name of the old Department of Ba Administration and Development), made a major concession when he announced recently that the "relative permanent" of urban blacks must be recognised. The law on black property ownership is to be changed to give them 99-year leases, to allow freehold rights not to be compatible with Government policy, he said.

What makes black opponents of the Government extremely sceptical about the claim of liberalisation has been the fact that while moves are introduced to improve their material conditions, the massive population movements necessary for implementation of the apartheid master plan continue. In recent reports, the Black Consciousness Organisation calculated that some 2.1m. people had been shifted about in a strategy of consolidating homelands, setting aside speed group areas for each race, removing "black spots" from "white" islands, from the country. According to published plans, another 1.7m. people remain to be moved. Of a grand total, all but 8,600 black.

Dr. Mulder has declared Parliament that his vision remained that of a "white" South Africa which ultimately would have no black cities. Moreover, while conceding the right of permanence in terms of home ownership, he has introduced an amendment to Parliament which will deny big children the residence rights their parents have, leaving the Bantu Laws Amendment. The black children of parents who are citizens of an independent homeland will no longer be able to qualify for urban residence under so-called Section 10—thus laying the open to the danger that on grown-up they will only be tolerated in the "white" areas as migrant workers.

Unchanged strategy

Thus, the principles of Government policy remain unchanged, and the strategy of separating the races, but allowing minority groups a veto, would be encouraged. The other commission, run by Dr. Piet Koorhof, economic adviser to the Prime Minister, is looking at the whole area of legislation as it affects urban blacks as workers. Perhaps the clearest example of the limitation of Government-inspired liberalisation comes from proposed changes in the law to allow blacks to take out mortgages to buy their own homes in the townships. Dr. Connie Mulder, the new Minister of Housing and Municipal Affairs, has rejected the plan.

MEN AND MATTERS

Food for sale
—at a price

Exports of food are one of the successes of the Chilean junta—or so Patricio Maturana, the First Secretary (Commercial) at its London embassy, was assuring me yesterday. The figures would seem to support this. In 1973 Chile imported \$800m worth of foodstuffs and exported \$30m. But by 1975 the accounts were even and since then food has been a net foreign exchange earner. Food imports from Chile by Britain have quadrupled between 1975 and 1977.

First Secretary Maturana told me that onions did particularly well here, but sales of dairy products had to be aimed at other countries. He said that Chilean food production rose 14 per cent between 1976 and 1977, so that there was "a good margin for export."

These claims that food exports are "one of the most successful sectors of recent years" are put in a different context by the Chilean Solidarity Committee. A spokesman for this body cites the figure that 61.3 per cent of pre-school children in shanty towns are undernourished. This statistic comes from the Catholic Church's specially-created "Vicariat of Solidarity for the defence of human rights and the unemployed in Chile."

The spokesman also quoted Chilean government officials from CONY (The Corporation of Infant Nutrition) and CONPAN (The National Council for Food Nutrition) who last summer reported that between 17 and 18 per cent of Chilean children aged under six suffer from malnutrition. 30,000 school children are fed in soup kitchens formed by charitable organisations since the coup.

When I relayed these figures to Maturana he said it was "quite untrue that there are hungry people in Chile" and asked for my name. He also

challenged figures that the average calorie intake has fallen 11 per cent below recommended World Health Organisation minimums. Egg consumption per head was halved, I learn, and meat consumption is down by a quarter.

"The export of hunger" is how Chilean exiles describe the food exports, but the First Secretary (Commercial) retorts that infant mortality rates have fallen by about 25 per cent since 1973. However, a paediatrician writing in the *Journal of Paediatrics*, in Santiago, states that in the period they have risen by 50 per cent.

John's sympathies

MORE ON FOOD. While Agriculture Minister John Silkin was doing battle yesterday in Luxembourg, his character was being dissected before a covey of Continental journalists in London. The dissector, National Farmers' Union president Sir Henry Plumb, said Silkin was "consumer-oriented"—reflecting the middle element in his

triple responsibility for agriculture, food and fisheries. Some farmers thought, said Plumb, that Silkin's role should be split up; but this might not be a good idea if there were to be a weak Agriculture Minister and a strong Food Minister.

When it came to substance rather than personalities, Plumb became involved in a complex discussion about the EEC's over-production of dairy products. He admitted that it was in nobody's interests that the butter output of British farmers is now "going into intervention" to add to the mountain of excess butter Europe possesses. A New Zealand journalist at the meeting complained that his country was being told to diversify into off-loaded FEC surpluses around the world. Sir Henry agreed that this was a pity; for all that, he sternly opposed New Zealand's hopes of long-term access to Europe for its butter.

Rude alarms

A latter-day Nell Gwynn greeted me at London's Olympia yesterday with a fruit basket on her arm—apples not oranges—and the title Miss Beautiful Eyes round her shoulders. She turned out to spend her time touring shop-floors trying to persuade workers to protect their eyes from rubber dust and swarf (small pieces of metal). But £12,000 and £18,000 a year after tax. Over three years around 250 of our men will be recruited for varying periods.

Maybe the GPO would like to offer the chance of such jobs in the sun to some of the operators on their Turkish desk—so that the automatic lines now installed can be made available to the public. Redundancy problems are delaying the hook up.

One U.S. firm was celebrating

selling 26 miles of wire fence to help stop "vandalism" at Tokyo's new International airport. But Chubb told me that they did not expect big orders and so desperate was one exhibitor that he offered me a bottle of champagne if I would write about him.

One firm gave me a detailed description of how to install a hidden safe in a way "your wife will never learn about" and said "these days you never know what drug addicts your daughter will bring home." All in all, it was a relief to leave, and to shut the door on a mixture of the sounds of Kojak and of the din that your neighbour's burglar alarm makes when the wind blows and the alarm's duty officer is already out trying to stop 50 other shrieking banshees.

Dialling out

Exporting people is becoming big business for Britain. Our latest coup is an "order" for more than £4.5m-worth of British telecommunications engineers for Iran. They will work on a £16m. telephone exchange contract in Iran, won by the Ford Aerospace subsidiary, Aerotronics. The recruiting company says that the "excellent" Post Office training gives British engineers an edge over Americans in a deal of this kind. Pay will range between £12,000 and £18,000 a year after tax. Over three years around 250 of our men will be recruited for varying periods.

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FINANCIAL TIMES SURVEY

Wednesday, April 26 1978

مكتبة المجلد

Vehicle Finance and Leasing

The leasing industry is going from strength to strength and its growth in the vehicle market has been very rapid. This sector also received a further boost when the Chancellor did not, as expected, remove any of the tax advantages gained from leasing a vehicle.

Left
alone
to
prosper

By David Wright

FUELED BY an unprecedented level of inflation the cost of purchasing and running a motor vehicle has risen out of all proportion over the past three or four years. This has put an even greater strain on the company or fleet user, who is already under pressure to preserve margins and liquidity ratios, while at the same time has forced a number of private individuals out of the new car market.

Faced with this problem the companies, which now account for 60 to 70 per cent. of all new registrations, could either retain the fleet longer or find alternative funding arrangements. Since extending the life of the fleet results in higher maintenance and repairs costs as well as a much lower trade-in value the savings are short term if there are any at all. So other forms of finance or means of acquiring the use of motor vehicles was the natural solution.

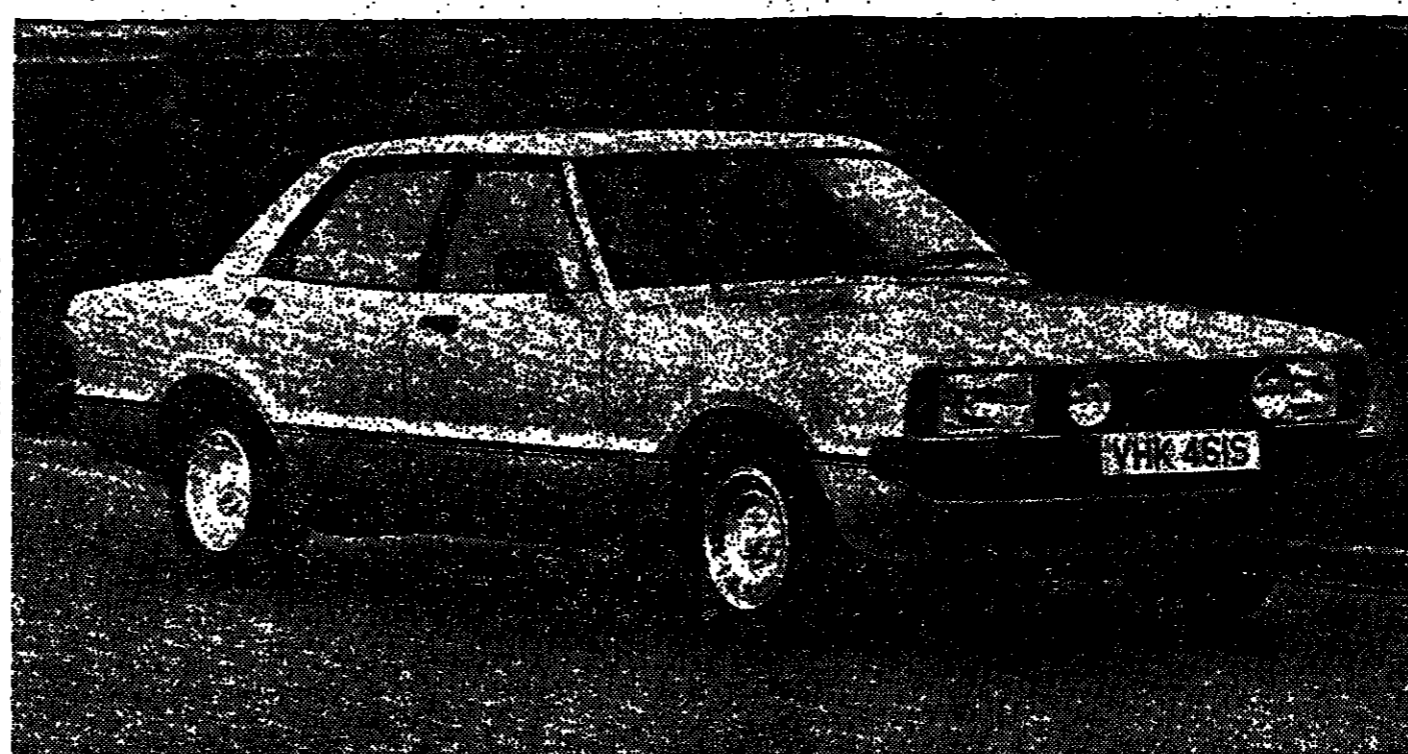
Leasing and contract hire, which offer the company several advantages, in particular cash flow and tax allowances, have

been steadily filling this need in industry. But even these methods took on an added attraction following the relaxation in the Control of Hiring Order last June. Since then the leasing industry has been booming and a leading lessor claims that business has virtually doubled over that period.

It is easy to see why leasing/contract hire has been so popular with companies. First, there is no sizeable initial capital outlay, so this allows funds to be used more profitably elsewhere in the business. Moreover, it reduces the burden of managing the fleet since a leasing arrangement can be tailor-made to suit any particular need. This means that any maintenance or repair cost, the big impediments in fleet management, along with any other outlay such as insurance and road tax, can all be included in the monthly rental. This in turn gives the company greater scope in forward planning, since the fleet costs would be known in advance.

But the big financial gain stems from the way in which leasing is treated for tax purposes. A leasing company or finance house is eligible for a 100 per cent. first-year write-down allowance on new vehicles. The benefit of these allowances are passed on to the fleet user by way of reduced rentals. In turn, these rentals can be offset by the lessee or fleet operator against his revenue as a business expense and are fully allowable against tax.

In the past, there was a certain amount of friction caused by the doubt over whether the resale value of the vehicle coming off a lease could in some way or other be passed on



The popular Ford Cortina.

for the benefit of the operator. Some leasing companies felt this practice was illegal and as such they did not pass on the benefit of capital allowances. But they were suffering from loss of business, since their terms were not competitive with the lessors who were feeding back the benefit.

But the doubt was cleared up last June when it was announced that businesses were exempt from the controls. This not only meant that the front end deposit was greatly reduced—the rate now is about three months' rent in advance against ten previously—but the residual

value and any excess over this figure are passed on to the lessee.

Since second-hand car values have been very strong there have been substantial gains from the disposal of the car after a leasing arrangement. This bonus has naturally been a major factor behind the recent remarkable growth in finance leasing.

Indeed such has been the level of tax gains that many people both in and outside the leasing industry were confident that the Chancellor of the Exchequer, Denis Healey, in his recent Budget would take

measures to close this tax avoidance scheme and is one such area that was widely expected to be blocked, by tightening up on the personal tax allowance arising out of such deals. However, the fear in the industry was that while blocking these blatant tax avoidance schemes the Chancellor might introduce measures that would hit the responsible side of the leasing sector.

Many thought that there might be some moves to change 7,200 cars under its management it is the largest in the U.K. Among the manufacturers, suggested while it was even Ford is probably the most aggressive, through its subsidi-

ary Ford Motor Credit. number of the Ford m dealers use this service. So of the dealers themselves b also formed their own leas subsidiaries like BSG Group Appleyard.

Other developments in leasing markets include companies that also offer a management service for the fleet. PHH, the U.K. arm of Peter Howell and Heather America, is one such company that offers this management service. PHH will buy vehicle and handle all the problems of maintenance and repair and at the end of the contract use its selling powers to obtain the best return on the car. network of approved dealers and associations with manufacturers would ensure that the best discount and residual value are secured.

Force

As for the fringe element it must be hoped that they take the warning from the few areas of tax avoidance that the Chancellor actually hit particularly, as the measures were retrospective, which was not widely expected.

In the meantime the leasing industry appears to be going from strength to strength. Lombard North Central, a subsidiary of National Westminster Bank is a major force in the market. Lombard acts purely as a finance house, financing the distributors while at the same time forging some links with the manufacturers.

Dial Contracts a subsidiary of Mercantile Credit is predominantly involved in the contract hire field and with about 7,200 cars under its management it is the largest in the U.K. Among the manufacturers, suggested while it was even Ford is probably the most aggressive, through its subsidi-

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While the motor car market may have taken the time over the past year there has been a fair slice of progress in other forms of vehicle leasing. Commercial vehicles leasing is no new venture but more aggressive approach to truck market has now been taken by Lombard through "Trucklease" which designed to become firmly established in the market before expected upturn later this year. This package will no doubt force the sector to become more competitive.

Agricultural equipment while a major market in terms of total sales, is basically a niche market as far as leasing is concerned. But many of the financial houses are now seriously considering a move into this area. Lombard once again could be the first to make any impact here.

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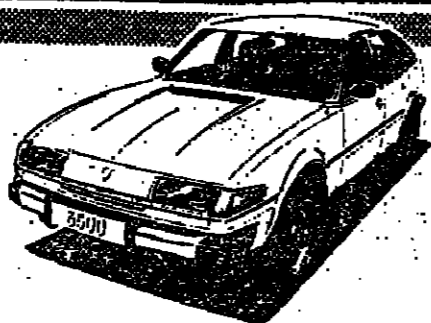
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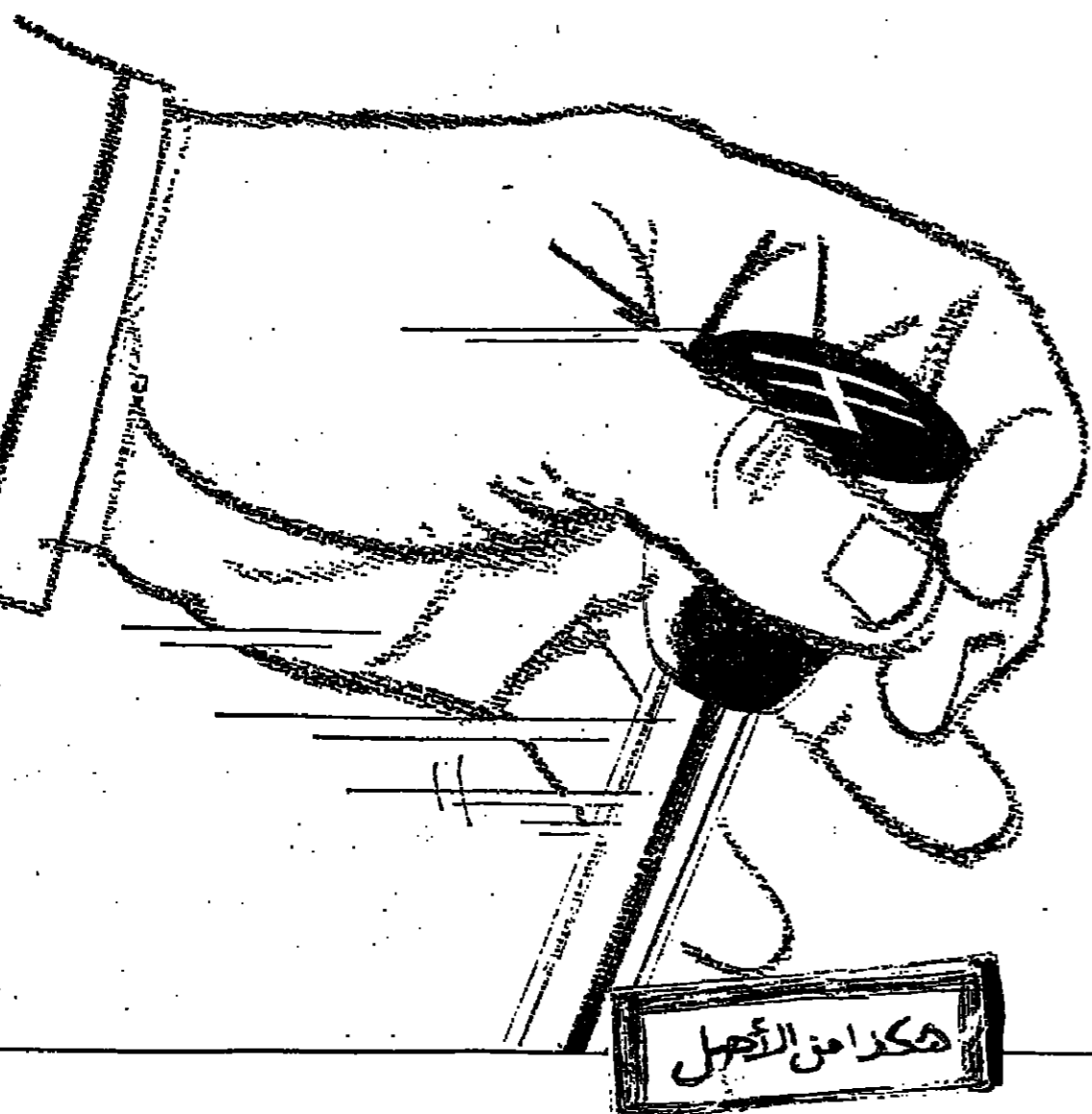
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VEHICLE FINANCE AND LEASING II

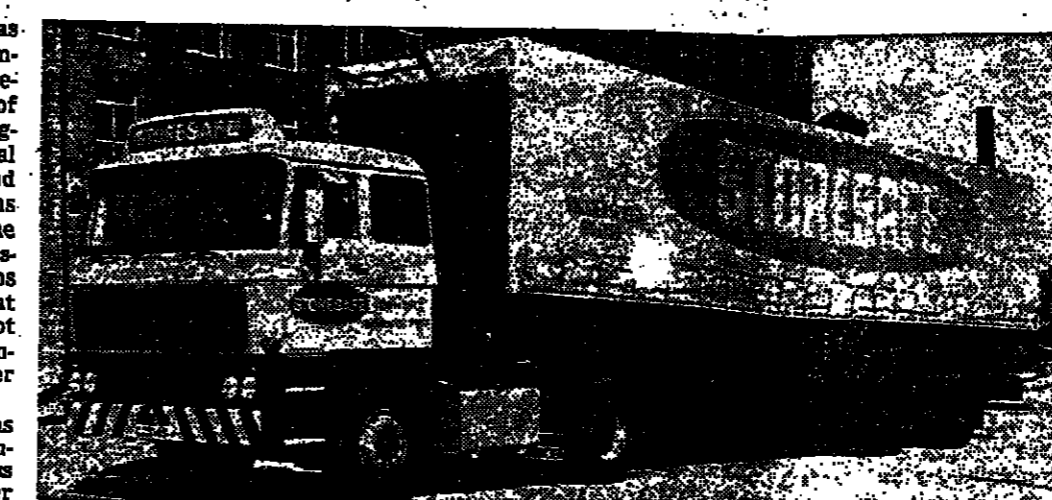
Greater emphasis on management

CAR FLEET management has become an accepted and important function of most sizeable companies. The number of company cars is rising at a staggering rate, as has the actual cost of the motor vehicle and this has resulted in large sums of capital being tied up in the fleet. Companies are under pressure to preserve liquidity ratios so it has become imperative that the high capital outlay is not only put to good use but managed as efficiently as any other part of the business.

Managing a car fleet has therefore taken on a new dimension. The volume of business puts pressure on the manager to find the cheapest way of purchasing vehicles, since capital could be better employed elsewhere in the company. The choice of vehicle has become equally important. The performance of the car, the likely level of maintenance and the prospects for selling it after use must all be evaluated. Not surprisingly fleet management in a number of companies is now dealt with at board level while others have sought the help of independent specialist fleet management concerns that are now emerging in this country.

Without doubt it is the time spent in analysing maintenance costs that is giving most cause for concern among fleet managers. Garage bills are spiralling both in spare part and labour costs. More care now needs to be taken over running cost calculations. Having said this it does appear that much is being achieved, particularly by the manufacturers, to reduce the maintenance costs as much as possible. Improvement in design and quality of components has meant that periods between services are extending. Moreover, the manufacturers are also improving their warranty schemes and this substantially reduces the repair costs for fleet operators over the first and in some cases the second year.

The importance of maintenance has certainly worked in the favour of the British manufacturers. While there is little choice in reliability between two-ford, there is the advice on British and foreign vehicles the cost of home produced replacement parts is considerably less than the foreign counterparts ordered using PHH's buying and at the same time they are more readily available.



Storesafe's Crane Fruehauf semi-trailer.

Manufacturers in the U.K. have naturally concentrated on the demands of the fleet customer by producing more utility type vehicles that probably have a better second-hand value than the equivalent foreign car. Moreover bulk buying of British cars is more convenient in that vehicles can be ordered off the production line and practically delivered direct to the fleet operator. Importers would not be in a position to match this service given the reluctance to carry high stocks. It is not surprising then that British manufacturers capture over three-quarters of the company car market while in some cases like contract hire and leasing the figures are even higher. Foreign manufacturers appear to be making greater inroads in the private sector via their heavily subsidised promotion deals.

Advice

The problems now encountered in fleet management has prompted a number of companies to leave the managing to specialist outside companies. These businesses such as PHH, which is a subsidiary of the U.S. group Peterson Howell and Heather, are in a position to offer customers a complete management service. The service offered by PHH is basically to choose in reliability between two-ford, there is the advice on British and foreign vehicles the cost of home produced replacement parts is considerably less than the foreign counterparts ordered using PHH's buying and at the same time they are more readily available.

elsewhere in the business where the return would no doubt be considerably higher. What is more leasing rentals can be charged direct to revenue account as a business expense and as such are fully allowable for tax purposes.

The scope for this type of service is enormous as the medium-sized fleet users are forced to accept the pitfalls of inadequate supervision. In the past three years PHH's business has grown by 700 to 800 per cent and at the moment it has some 20m. of cars under management of which 15m. are leased.

The growth in leasing has been staggering with the advantages it offers to cash flow. Leasing companies are entitled to a 100 per cent allowance in the first year on the vehicles purchased for the purpose of leasing. Companies buying their own vehicles are only entitled to a 25 per cent capital allowance. The benefit of this 100 per cent allowance is passed on to the fleet user in the way of reduced rentals. Moreover, no major front end commitment on a leasing agreement is required in advance since companies are exempt from the HIRING controls so there is no major capital outlay. At a time when there are intense pressures on working capital requirements, there are distinct advantages in eliminating the heavy capital outlay on new fleets. The capital can be used

of leases, the finance lease and the contract hire. The finance lease is really just a financial arrangement. The fleet user finds the car and the finance house pays for the vehicle. Repayment is then made in monthly rentals and the lessor bears the burden of depreciation which is reflected in a pay back balloon when the vehicle is sold. Some protection to depreciation can be arranged by writing in a agreed residual value in the contract.

Contract hire basically relieves the fleet user of the burden of purchase maintenance and sale. The terms of contract hire can include all the costs involved in purchase (the contract hire company takes the risk of residual values), and maintenance on a fixed price basis. A contract hire therefore allows the company to budget ahead with some degree of confidence.

David Wright

There are basically two forms

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Fleet sales

THE IMPORTANCE of fleet sales to the major motor manufacturers has increased dramatically over recent years. There is no precise way of knowing exactly what the proportion is, but a consensus opinion suggests that it is of the order of 80 per cent, or roughly treble the percentage only 10 years ago. And that is only what the manufacturers know about: there could be thousands more cars bought by the individual but paid for by the firm.

The size of this market has not been lost on the manufacturers who are all out in the market place pitching for their piece of the business. The undisputed market leader is Ford, which sells vast quantities of its Cortinas and Escorts at the volume end, and its Granadas in the executive league.

However, the others are in hot pursuit, taking advantage of Ford's inability to make its desirable motor cars fast enough to satisfy demand: there is now a three months' waiting list for the popular versions of the Cortina, the prime seller. Vauxhall has made an impressive dent on the market with its Cavalier, which is comparable in size, price and overall appeal to the Cortina, and its Chevettes. British Leyland has Marinas, Alpacas, Delamias, Chrysler is moving well, too, with its Avengers and Alpines, the latter proving increasingly popular because at just over 1,400cc engine capacity it falls neatly into a lower bracket for personal tax purposes.

Each of these manufacturers has made its own arrangements for providing finance for its customers.

Ford has the highly successful Ford Motor Credit which, at the moment, is actually being broad-minded enough to finance purchases of other makes of car while the manufacturing side gets over its production problems. Chrysler has Chrysler Acceptances, which is owned by 50:50 with Mercantile Credit, manufacturer has also been

and Chrysler Leasing System. Vauxhall, which is probably the closest parallel to Ford in that it is strictly an in-house, independently developed operation, has Masterhire through General Motors Acceptance, and British Leyland—the last to enter the business—recently linked up with Lombard North Central, the National Westminster Bank subsidiary.

They have all experienced a good upturn in business since the Control of Hiring Order was relaxed last June, particularly on the leasing side.

Vigorous

The services offered are all broadly similar in that, either directly or indirectly through the dealer network, they offer hire purchase, contract hire or straightforward finance leasing—the latter currently being the most sought after. They are all promoting their leasing services in a very vigorous manner, which is helping to increase the general awareness of the benefits of leasing in a market which is growing but is still a long way behind North America.

However, the services are comprehensive and each of the manufacturers is trying hard to find ways in which to outdo the other and offer just that little bit more. Chrysler, for example, has boosted the number of dealers offering lease packages to 122, around 50 of whom offer specialist truck leasing facilities. But, in addition to that, it is possible for a customer to negotiate only one contract to lease, say, 100 vehicles, but which have to be delivered to various parts of the country.

The deal is struck with just one dealer in conjunction with head office in Coventry, and is arranged for the other dealers in the "system" to deliver the cars. In other words, although you buy from one dealer you get the service of all the others. Chrysler has also been

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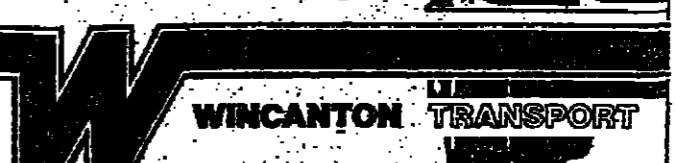
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The finance department is something of a time but Natic Services can help. Contract is something from firm driver selection. But most

Double bonus for distributors

BRITISH-MADE cars are still with new legislation which provided greater freedom to negotiate leasing and hire contracts. This cleared the way for the industry to open-ended contracts, which demanded a ten-month deposit was scrapped—and this new legislation applied not only to corporate customers but also to the professional person using his car for business.

Distributors are now reporting an increasing number of leasing and contract hire agreements with people like doctors, solicitors and even the freelance journalist. Equally, companies are showing a renewed interest in leasing. Particularly those firms which have been unable to pass on the benefit of bigger profits in the higher wages and have been looking for alternative means to keep their managers happy—and why not a company car?

But it is the tax benefits—the 100 per cent write down allowance—that has really set the industry alight. It was the tax benefits which first attracted the finance houses, and more recently the banks, into the industry.

Under the 1971 Finance Act the regulations, covering the accelerated first year write down allowance on commercial vehicles, were broadened to include traders who are genuine in the business of car hire. The situation however was only clarified several years later by a test case against the Inland Revenue—brought, and won, by Godfrey Davis.

Previously the distributors had only been allowed to offset the cost of a car against their tax bill at the rate of 25 per cent a year.

The implications of the Godfrey Davis test case were clear to the finance houses. By taking on the mantle of car traders—leasing and providing none of the hassle of maintaining and servicing the car, unlike contract hire agreements—the houses provided last year obtained tax relief which could

be set against the rest of its residual values have had to chase up new car prices and profits, these days are much more in balance.

A major problem, however, could emerge now that inflation is back to single figures and estimates of residual values now prove too high—leaving the distributor with a potential loss instead of a profit.

The greater freedom of contract, won with last year's new legislation, however, has allowed the distributors to write protective clauses in contracts which would cover such an event. This permits distributors to pay out any excess profits made from the second-hand sale to the leasing customer, or, more importantly, to claw back any eventual shortfall from the customer.

Most distributors (now that we are able to write open-ended contracts) have covered themselves against a drop in second-hand prices but there are one or two who may find themselves in serious trouble over residual values," said Mr. Tustain.

The fact that British-made cars tend to hold their value better than foreign marques explains to a large extent the success of the British car in leasing and contract hire.

"Finance also appears to be more readily available when a British car is involved," said a spokesman for the British Vehicle Renting and Leasing Association.

Spare parts are also more readily available for British makes which keeps service costs down—another point in the British manufacturers' favour as far as distributors are concerned, particularly those involved in contract hire which includes a built-in service agreement.

Clearly leasing is here to stay, even if there is a collapse in second-hand values. Moreover British car manufacturers have a head start in this race—but they have had that before.

Inflation

"It is not a question of the finance house or the bank competing with the distributor," he says. "We both need each other. We need the finance house to provide the necessary 'muscle' and they need our marketing experience. They particularly do not want to have to dispose of a flood of second hand cars as leasing contracts come to an end."

The recent buoyancy of second-hand car prices—fuelled by double figure inflation—is another factor which has been crucial to the success of the industry. When a customer negotiates a car leasing contract a residual value of the vehicle is agreed on top of the payment terms. This is simply the second-hand price which the distributor feels he will be able to charge when the car comes back on the market.

In recent years inflation has sent all car prices spiralling so that the second-hand price charged has often been way above the residual value agreed at the time of leasing. This has left the distributors with some pretty profits. Mr. Tustain says: "Certainly in the early days when inflation first took off the profits to be gained from this ready-made supply of second hand cars outstripped the profits from the leasing itself. However



A Fiat 170 belonging to Gulliver's Truck Hire, the vehicles rental company based in Bristol.

Commercial vehicles

THE COMMERCIAL vehicle market differs from motor cars in a number of important ways. For example, a car tends to be viewed (at least for business purposes) on a two year basis, or three at the most. With commercial vehicles, such as vans and the larger trucks, the average working life is probably more like five years and, at the very heavy end, possibly seven years.

Many vehicles are also custom-built with specialist body and chassis manufacturers offering a variety of different power units. They are also often supplied in the customer's own livery. The vehicles, apart from the way in which the driver inflicts his own personal damage, will be used for different purposes. Two vehicles, with identical specifications, might be used in quite different conditions; one will spend its life cruising along the highways and byways with light loads, and the other may be plunging over rutted, rock strewn tracks with a heavy load, or whatever: merely using the vehicle to deliver his goods. On the other hand, he may be a distributor and customer and in at the end of the period and will road haulier, in which case his

Headache

The final headache for the finance company is assessing the creditworthiness of the customer. Some will buy a commercial vehicle as an incidental piece of his business; that is, he may be a baker, component manufacturer, furniture manufacturer or whatever: merely using the vehicle to deliver his goods. On the other hand, he may be a distributor and customer and in at the end of the period and will road haulier, in which case his

to present a persuasive argument to potential customers. It fulfils the role admirably of a reference work, which means in practice that the salesman ought not to get caught out by any daisy questions that may be directed at him by the knowledgeable buyer. Armed with this piece of sales equipment, it is easy to imagine the distributor dreaming of instantly increased sales volume.

However, whether the other finance houses will woo the distributors with their own seductive versions of Trucklease remains to be seen. What is important is that the commercial vehicle market is a potentially ripe one for leasing.

In common with other pieces of heavy capital equipment, the replacement costs on commercial vehicles have gone through the roof in recent years, making the arguments in favour of leasing as against buying that much more compelling. Estimates indicate that the price of car-derived vans went up by no less than 250 per cent, between 1972 and 1975, and, of course, have risen further since then. At the really heavy end of the truck market, the rise is generally reckoned to have been no less than 300 per cent.

The decision as to whether vehicles should be replaced is always critical, but against this sort of explosion in outlay it takes on an added dimension. Indeed, the choice of whether to change vehicles and, then, whether to buy outright with cash, borrowed money or by hire purchase, is increasingly being taken out of the hands of the traditional transport manager. These are probably now decisions for the Board or finance director.

Leasing does offer a very real and sensible alternative, particularly if the operator is low on taxable profits—such as a smaller haulier may be—against which he can set his capital allowances on the purchase. It also preserves value capital and other credit lines.

The way in which commercial vehicle lease agreements are written tends to fall into two basic types. On the one hand there is a lease/purchase agreement which, to all intents and purposes, is hire purchase, and the other is a buy-back lease.

All that means in practice is that the operator can either take the vehicle at the end of the lease, or he can take a gamble on the residual value at the end of the day—with the distributor—and that will be directly related to his treatment of the vehicle and its condition.

Keith Lewis

Profits

For the distributors, leasing has provided a double source of profits—first from the actual rental and then from the sale of the car when it is returned to the dealer—at a time when the car market, like the economy, has been stagnant. The recent survey carried out by the British Vehicle Renting and Leasing Association, showed that leasing and contract hire business increased by 10 per cent during the period June 1976 to June 1977. This year the Association expects business to increase by at least 15 per cent.

Lombard North Central, houses and banks provides much of the muscle behind leasing—said recently that its leasing interests were growing at the rate of 50 per cent. This growth was provided last year obtained tax relief which could

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VEHICLE FINANCE AND LEASING IV

Extending contract hire

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VEHICLE LEASING has been growing at fairly rapid rate for some time now but the industry was given a shot in the arm last June following the relaxation of the Control of Hiring Order. Since then growth has been staggering. One of the major finance houses claims that its car leasing business has doubled since the middle of the year.

The British Vehicle Rental and Leasing Association claims that while contract hire may only have risen by 10 per cent. or so over the past year this growth rate was well outpaced by leasing. It could be argued then that leasing is taking business away from the contract hire specialists. But the contract hire specialists feel that while leasing is growing faster, it is only an extension of contract hire.

Leasing and contract hire companies are entitled to take advantage of an 100 per cent. first year write down allowances. These benefits are passed on to the fleet vehicle user by way of reduced rental. The lessee or operator is also in the position to offset the rentals against his own revenue as a business expense and are fully allowable for tax purposes. The relaxation in controls then made leasing even more attractive.

Prior to June there was always some doubt as to whether the resale value of a car after leasing could be passed on to the lessee. But since then the Government has announced that businesses are exempt from the controls. Therefore, under a leasing agreement now the lessee stands to benefit from residual value.

Leasing is basically a financing deal. The operator has freedom of choice over the vehicle and the dealer and the dealer and then the services of the finance house are sought to finance the deal. The operator repays the finance house by means of monthly rentals.

The residual value of the car is generally calculated by the dealer or leasing company but if the customer wants to take an interest in the residual value there are opportunities to do so. The lessee guarantees to pay the terminal value at the end of the lease. Any excess over the residual value would be for-

THE BENEFIT OF LOWER CASH FLOW FROM LEASING A £3,000 CAR

Comparative Cash Flow for	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter	9th Quarter	Subsequent Periods	Totals
Outright purchase	3,091	3,185	3,291	3,380	3,482	3,588	3,697	3,203	1,703	1,099	
Leasing	446	726	1,014	1,311	1,617	1,932	2,257	1,714	1,714	1,150	
Net difference	2,645	2,459	2,277	2,069	1,865	1,656	1,440	1,489	11	51	
Net return at 1% per month from investing net difference	40	37	34	31	28	25	22	22	0	2	237
Tax relief on net return								74		49	123
Net benefit											114

Most companies can utilise the "Net Difference" in cash flow for investing in their primary area of operation. The benefit from choosing to lease can be quantified by applying the difference between:

(a) the company's required investment rate (in this example 1% per month), and

(b) the company's borrowing cost (in this example 1% per month) to the "Net Difference" in cash flows.

The net benefit of choosing leasing rather than outright purchase for a company requiring a net return of 1% per month (1% - 1%) is as shown.

Source: Lombard North Central

warded to the lessee. Lombard North Central achieves this by arranging for a balloon rental at the end of the lease which is matched by the resale value of the car. However, some 5 per cent. of the value is generally held back by the finance houses to avoid breaking the lease status of the contract.

But in times of fast rising second-hand car values the benefits of leasing to the lessee are plain to see. Moreover, since companies are now exempt from the controls there is no front-end deposit required on leasing agreements. Having said this the bulk of leasing companies do insist on a deposit of roughly two to three months rent but this is still considerably less than the previous ten months. As such there is an added boost to cash flow, allowing capital to be utilised elsewhere in the business. There are facilities for the operators to arrange a maintenance agreement within the leasing contract. These can be tailored to suit most needs.

The Wheellease agreement, for example, covers such areas as routine servicing and repairs to motoring association memberships and insurance.

Under contract hire the purchase of the vehicle and the

sale are carried-out by the hire company. They in turn estimate the repair and maintenance cost as well as the residual value and the rental terms are fixed. The lessee carries no risk nor reaps any reward from the sale of the vehicle. Contract hire puts a greater emphasis on maintenance and service element of leasing. Since the costs are fixed the operator knows just what his total cost will be during the life of the contract hire and he is able to budget his business accordingly.

But the advantages of leasing over contract hire during a period of strong second-hand car prices are high so it is easy to see why the growth in the former has been far more impressive. The boom period for second-hand car values could however be over. Inflation is now heading for single figures and second-hand car prices are expected to settle down to traditional patterns. Any sharp downturn in prices could leave a few scars. Certainly the operators would catch a cold under a leasing agreement since they have to guarantee the residual value. Apart from an overall dampener on the leasing industry the finance houses would not suffer since they are not involved with the car apart

from financing. On contract hire residual values. Moreover, since sharply lower car values could knock the hirers initially but since there is no risk to the operators in this form of leasing, contract hire would offer more confidence to the operator than straight finance leasing.

Having said this it is not expected in the leasing industry that there will be any major disasters in the event of a drop in second-hand car values. The will be only half the number of lessors are now becoming very prudent when calculating the

A recent survey of all the major lessors views on residual values showed that on average the estimate after one year was 75 per cent. falling to 49.5 per cent. after two years and 30 per cent. after three years.

By and large then realistic residual values are being quoted but there is concern over a fringe element in the industry that are putting false residual values on high value cars. What is basically happening here is that only a nominal residual value is put on a luxury car after a two-year lease - the high rental charge in the meantime has been offset against tax. At the end of the leasing agreement the car is then sold to the employee of the lessee for a nominal residual value thereby allowing a sizeable tax free capital gain.

This practice apart the leasing industry seems to be taking active steps to avoid the pitfalls of a weak second-hand car market. While it is true that sizeable profits had been made by dealers, contract hire companies and the lessees on car disposals during the period of very high inflation the stance now being taken on residual values is encouraging.

D.W.

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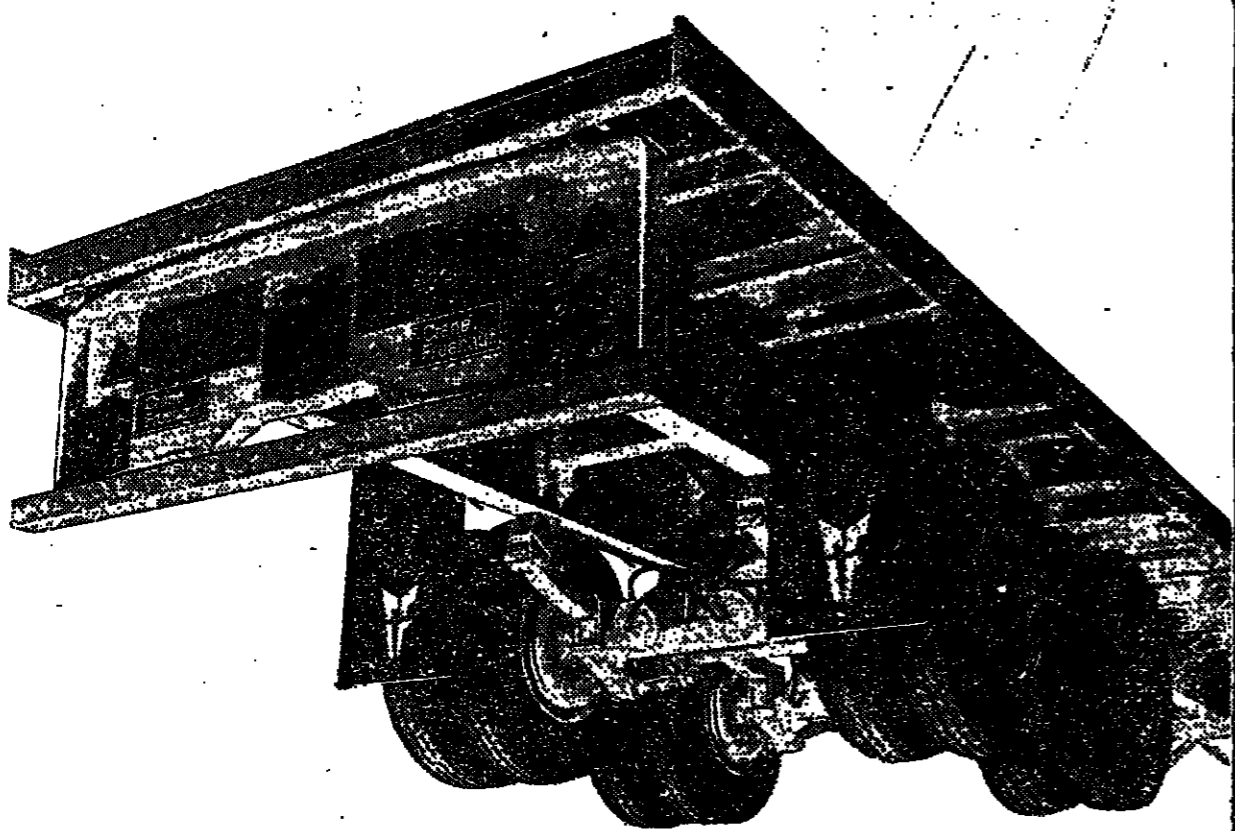
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It is just as well that the U.K. manufacturers are alert because, of course, the foreign manufacturers have also mounted an invasion on this booming business. Probably the biggest potential threat is from the Japanese, and Datsun in particular. The company recently formed a new leasing company through which it was intended to tap the market, but political pressure to curb imports of cars from Japan has put a temporary block on their plans. However, the time cannot be too far away when that obstacle will be overcome and the appeal of their competitively priced, reliable cars will be emphasised on the public. The other point is that, while competitors may criticise Japanese engineering and refinement, they are often hard-pressed to match the ability to deliver the goods in sufficient quantities.

Threat

But perhaps the biggest threat at the moment comes from Continental Europe. Fiat, for example, in a recent recruitment advertisement boldly declares that "we are poised to mount an all-out sales drive in the U.K. fleet sales market." It has the right cars for the market - the 1,300 and 1,600 cc Mirafiora, and the 2,000 cc Fiat 132 - which are again competitively priced, reliable and, more important, available.

Fiat has boosted its sales in the U.K. to around 70,000 units from 48,000 in just two years, of which an estimated 20 per cent. were for business use. The introduction of Fiat's Leasecover plan is fully backed by its distributors up and down the country and there is a novel "credit card" style system which enables the customer to approach any of the outlets in the event of trouble. The faults rectified on credit.

But even on the domestic side Fiat is posing big problems. It is currently offering finance for hire purchase at the rate of a flat 3 per cent. per annum on its Fiat 132.

Elsewhere, there is a big attack on the executive car market. Peugeot, Audi, BMW, Volvo and Lancia are eating away ferociously at what has been the traditional preserve of the likes of Rover, Jaguar, Triumph and the bigger Fords.

Keith Lewis

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FT26/4

VEHICLE FINANCE AND LEASING VI

The newcomers make their mark

LEASING IS HARDLY a new concept in financing, but this hardly seems the case when applied to motor-cars, judging by the sales performance of the leasing companies over the past year. There are two reasons for the recent upswing in car leasing. One is the tax benefits of leasing. An industrial company cannot write-off the cost of a car purchase in one go. It has to depreciate on the basis of 25 per cent a year.

But the efforts of two test cases, first by Ford Motor Credit and second (the one which really sealed it) by Godfrey Davis, established that a leasing company could write-off the full 100 per cent cost of a vehicle in the first year. This benefit can then be passed on to the lessee in the form of lower monthly costs.

The second factor is significant to cash flow. The relaxation of the Control of Hiring Order by Mr. John Fraser, the Minister of State for Prices and Consumer Protection, meant that the lessee no longer had to fork out an initial payment equal to ten monthly

instalments before he could sign up a lease. Admittedly there is still a front end loading but this is open to negotiation and usually amounts to the equivalent of three or four months payments.

Although there are no hard and fast statistics to prove exactly how fast the car leasing market is expanding, it is not too hard to get a very good impression.

For example, the Equipment Leasing Association produces annual figures which show an impressive trend. In 1977 members of that association purchased 57,741 worth of cars for leasing. The figure in 1976 was a mere 38,000. At the end of 1977 members of the ELA had £38m. of lease assets (at original cost) out on lease.

This is by no means the whole story. The ELA has 35 members and although they claim to account for around 90 per cent of all the finance leasing business transacted in the country, there is still a lot of business outside their parameters. Much of the growth

is coming from relatively new entrants into the market and members of the British Vehicle Rental and Leasing Association, which has around 550 members, are obviously doing a lot of leasing business.

Talking to people in the trade one gets the same buoyant picture, although many play down the extent of the growth in recent months. Possibly there is an element of double counting. A finance company may claim to have leased 500 cars and the dealer who handled the lease may be claiming the same 500. But even so such cases cannot be having much impact overall.

Banks

Lombard North Central, the largest of the vehicle lessors, has seen its car leasing business double over the past year. Banks have become more involved: for example the Royal Bank of Scotland only became involved in car leasing last September but already it reports good business.

Moreover, some of the large motor distributors have set up their own finance companies especially for leasing. Wadham Stringer, the British Leyland dealer, has set up Wadham Stringer Leasing.

This subsidiary comprises of two finance companies handling leasing and one for "old fashioned car hire." Stuart White of Wadham puts down all the talk of dramatic increases in car leasing, but he too has to admit that his profit last year was 400 per cent up on target. But in fairness it was only the second year of operation, so perhaps as he points out, it was the target that was suspect. But even so it is a good indication as to how the market has been expanding.

Understandably financial institutions such as the banks have been quick to push into leasing, especially since 100 per cent first year allowances became accepted. There is little point in having tax allowances unless you are earning profits, and so the banks and finance houses with substantial profits

and little to offset against corporation tax (compared with industrial companies) were enthusiastic when presented with the possibilities of leasing.

Banks find leasing very profitable business, particularly so when many other forms of financing remain flat. Industry is holding back on capital investment, and leasing has presented the financial institutions with a good chance to boost their business.

But leasing is a two-way street. While it may be profitable for the financial institutions it is also a very useful tool in financial management for the lessee. If a fleet operator buys his own cars he can claim tax allowances, but that may not prove valuable if his company is paying little or no mainstream corporation tax. And this could be the position for many companies which face no tax liabilities thanks to the Chancellor's deferred tax concessions. It may be better to have the finance company make use of the tax concession and the user take the benefit by paying less per month for the vehicle.

As the leasing concept expands, more people are encouraged into the leasing business, but it has also encouraged the "fringe" operators. These are bringing the industry into disrepute and are also focusing the attention of the Inland Revenue on the whole leasing concept.

Complaint

But it is not only the "fringe" operators that the older established car hire firms object to. Finance houses are also their target for complaint. Banks are not in the hire business, and the older hire businesses, such as Godfrey Davis, take a dim view of their involvement.

The finance houses only handle the financial aspects; it is still the dealers who are at the risk end of the motor business. For example, if a car is leased from the Royal Bank of Scotland a residual value is pitched, which represents the final payment from the lessee to the bank. If that figure is £1,000 and the car is sold for £1,500, the lessee would receive a substantial rebate—perhaps 80 or 95 per cent—of the balance of £500. If the vehicle sold for £900 the lessee would have to make the sum up to £1,000 to pay off the bank. So,

CONTINUED ON NEXT PAGE

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Trailers prove an ideal market

IN THE same way that leasing has caught on as a method of financing car and commercial vehicle fleets it is being taken up by the trailer buyers. Demand for trailers showed a marked increase last year and U.K. production rose by almost 50 per cent to 17,177 units. This brings the industry back to the sort of output achieved in the early 1970s.

When the recession set in the trailer makers turned to exports to try and hold profits, but last year exports remained steady at 3,387 units—so all the growth came from the U.K. market. The sort of effect this can have on profits was demonstrated by York Trailer only a

pre-tax profit of £2.74m. was couple of weeks back. A record achieved in 1977—130 per cent up on 1976—and way ahead of a forecast of £2.2m. which was made only a few months ago.

While the trailer market is fast expanding, leasing is expanding with it. Crane Fruehauf suggests that around 60 or 70 per cent of trailer purchases are financed by third parties in some way. The figure is probably a lot higher as CF can only detect third party involvement in many cases by where it sends its invoice.

Of that amount which is financed CF says that over half of its own financing is by way of leasing. This proportion has been increasing rapidly rising to its present level of getting on for 60 per cent, compared with about 20 per cent only three years ago. Crane Fruehauf reckons that at present it has some 5,000 trailers out on lease contracts.

Trailers are ideal for leasing. They have long life and maintenance costs are relatively limited compared with trucks. Also they are fairly easy to dispose of at the end of the lease unless they are specialist vehicles and second-hand values hold up well.

Basically a trailer buyer is faced with four alternatives. There is the direct cash purchase, but this can be a costly business. Trailers cost at least £3,500 and for that there is only a very basic flat bed unit. For more sophisticated trailers, such as refrigerated units, a haulier could pay up to £15,000, possibly £20,000. So buying a fleet of those is not taken lightly. Certainly fleet costs can gobble up the cash flow. Most buyers probably turn to their banks for finance, but for those not wishing to take an outright purchase through a bank loan or hire purchase there are three alternatives.

Allowances

Many U.K. companies are paying little mainstream Corporation Tax because of stock appreciation relief and other allowances which can be offset against the tax bill. So it may prove more cost efficient to let a leasing company utilise the tax allowances and pass it on to the lessee in the form of lower monthly charges.

Many of the leases are arranged on a full payout basis. This means that at the end of the lease period—three, four or five years, and sometimes longer because trailers have a longer life than cars or trucks—the lessee has the option of holding on to the trailer at a peppercorn rental. That is a very nominal monthly payment as the lessor has already recouped the full cost of the trailer plus the interest charges during the term of the lease.

There has been a trend towards more and more open-ended leases. This is where the depreciation rate on the trailer is agreed by the lessor and lessee at the outset and at the end of the lease the trailer is sold and both parties share in the profit or loss made on its sale relative to the written down value.

Closed end leases are also an option open to the lessee. This is where the trailer is taken

back by the lessor at the end of the lease. Crane Fruehauf says that this aspect of leasing is increasing, though it is fairly small in the trailer business and is one which must put leasing companies at some risk. At the outset of the lease contract, the leasing company will calculate what sort of residual value it can put on the trailer—that is its value at the end of the lease. If the leasing company gets its sums wrong it could mean that the actual value of the trailer is below its estimates. This would mean that the charges made on the lessee would be pitched too low, and profits would suffer as a result.

Dominated

The hauliers are taking more and more leasing finance into their trailer fleets as an easy and convenient way of financing capital equipment. The trailer leasing market is dominated by a few big names. Trailer manufacturer Crane Fruehauf, which has its own finance company, and Transport International are probably the best known names in the field. Both are subsidiaries of U.S. companies. Crane having been taken over by the U.S. Crane company at the end of 1977 after a hotly contested battle which had dragged on for over a year.

Another specialist in the field is Eurotec which is part of Tradex Financial Leasing. York Trailer, on the other hand, does very little leasing business off its own bat these days. The company did operate a leasing operation for customers but this was mainly set up for the purpose of utilising the tax allowances. However, with deferred tax for stock appreciation York had little in the way of Corporation Tax to pay and so the leasing operation has been phased down as far as new business goes.

But, of course, leasing is not the end of possibilities. Contract hire or straight rental must be considered by the "buyer." Contract hire can come in various guises and the only major difference from leasing is that the trailer goes back to the owner and is not sold and the proceeds shared out by way of a rebate. Contract hire can be linked with full maintenance, tyre replacement and the Department of Environment certificate of road worthiness.

The boom of contract hire is that the trailer can be taken on for a set period of time and then returned. This is ideal when the haulier has a set contract where he knows for how long he will require extra trailers.

Assuming that the contract hire runs for a reasonable length of time the haulier can even have the trailer in his own livery if he wishes. To the outside world the trailer has all the appearance of belonging to the hirer.

The final option open to the haulier is trailer rental. This is common in the haulage industry. The length of time involved can be anything from a day up to several years. The benefit to the haulier is that he can match the number of trailers with the workload almost on a daily basis. This is particularly useful if a contract

ends prematurely. As soon as the trailer is returned to the hire company the cost of the rental stops. Therefore the haulier can avoid having trailers sitting in his depots idle. Rental can be used to smooth out the trough and peaks of a haulier's workload. It also helps the fleet operator in that he can predict his costs fairly accurately and keep them in proportion with his workload. So the haulier should be able to find a lease, rental or hire arrangement to suit his needs. There is a lot of flexibility, and the individual can almost get bespoke arrangements.

As for pure leasing there seems no reason why this should not continue to grow in popularity in the trailer industry. In the U.S. it is clearly established as a method of financing trailers and it seems very likely that the U.K. will follow suit.

Terry Garrett

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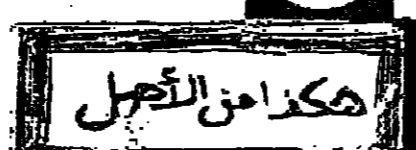
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Assessing the tax advantages

THE CURRENT boom in car leasing activity owes most of its impetus to the discovery, perhaps at least two years later, when computations are submitted for agreement. There is then the extremely time-consuming problem for the taxmen of following transactions through and proving that, for example, an employee has received more taxable remuneration than he declared. But given the investigative attitude of the new high-profile Inland Revenue it would be a foolish indeed to imagine that any widespread abuses will escape attention for more than a few years. More immediately, there is always a possibility that amendments dealing with this area will yet be forced into this Finance Bill by tax-avoidance-conscious Labour backbenchers such as Jeff Rooker, one of the rebels who successfully proposed higher personal tax allowances during the committee stage of last year's Finance Bill.

The basic rule about company-owned cars is that they qualify for a 25 per cent. annual writing-down allowance, which may be deducted in lieu of depreciation in establishing the annual tax charge on a business. But where a car costs more than £5,000 there is a restriction in the annual write-off to a maximum of £1,250, though the car may be fully written-down within this limit.

Restriction

Equally, where cars were leased which had cost more than £5,000 there was a restriction on the allowable annual leasing charge to the proportion which £5,000 plus 50 per cent. of the excess cost over £5,000 bore to the total cost of the car. So for example, in the case of a car costing £9,000 with an annual lease charge of £3,000 the calculation was:

$$\frac{£5,000 + £2,000}{£9,000 + £3,000} \times £3,000 = £2,333$$

But all of this went out of the window with the decision of the Special Commissioners. The decision hung on whether leased cars fell within the Finance Act 1971 definition of "...vehicles provided, wholly or mainly for hire to, or the carriage of, members of the public in the ordinary course of a trade..."

The Commissioners decided they did, and so qualified for 100 per cent. first year allowance.

Some tax accountants believe that, although the boom in car leasing tax avoidance schemes has been much talked of among customers to be regarded as the cognoscendi, the full extent of what is going on may not yet be appreciated within the Inland Revenue, given that most business people are far less open with their tax inspectors than with friends. This may be true to some extent, particularly because there is always a buying a car for business use.

about the rules for taxing employees who enjoy the very considerable fringe benefit of having cars provided wholly, or partially for private use? There are three situations to be considered. Where a car is provided wholly, or substantially, for private use. The Revenue will not regard business use of a car as "insubstantial" if that

	Under 4 years	Over 4 years
Up to 1300cc or £2,500	190	130
1301-1800cc or £2,500-£3,499	250	165
More than 1800cc or £3,500-£8,000	380	255
£8,001-£12,000	550	365
More than £12,000	880	585

Not surprisingly, such blatant and artificial tax avoidance is frowned on by reputable tax accountants and leasing companies. Frank Smallman of per cent. of original cost plus running expenses apportioned on a mileage basis.

Cars provided for business use but available for private use here the charge is at a flat rate according to tables issued by the Inland Revenue. The flat rate includes the car's running expenses and the excess to which the car is used respectively for business and private travel will not normally be of consequence.

Another aspect of this business is the basic rule in the tax laws that business transactions should be conducted at arms length. If a leasing company parts with a car at less than its market value it might be possible for the Inland Revenue to assess the company for what should have been the sale price. Again, where option schemes involve the transfer of a car to an employee after a short period, the tax authorities might be able to say that the car was really stock in trade, rather than a fixed asset qualifying for a 100 per cent. first year allowance.

Based on cylinder capacities where available, otherwise on original market values up to £8,000. Above £8,000 based on value.

Michael Lafferty

Newcomers

CONTINUED FROM PREVIOUS PAGE

the established car hire firms say, the financial institutions are at no risk.

A dealer leasing a car would take it back at the end of the lease. If he had computed the residual value wrong and made an effective loss that would be his own hard luck. But on the other hand if the actual value was way above the residual figure the surplus would boost his own profits when the car was sold. It is unlikely that a rebate would be given to the lessee.

In the last few years second hand car prices have shot up, reflecting the rising cost of new vehicles, and so few dealers have been caught out: rather the opposite, there has been a good boost to profits.

However, second hand car prices are not going to rise as fast over the next couple of years. If leasing arrangements had been completed, basing a residual value on the sort of growth seen in car prices in recent years, there could be some nasty shocks in store for the lessors and lessees if actual values do not match residual estimates.

Car leasing is profitable for the lessor and can be convenient for the lessee, but there are those, referred to as the "fringe" operators by the establishment, who are using leasing as a way of tax avoidance. There are variations in the schemes being marketed, but the most common theme runs like this. The lease is normally short but not less than two years. A large front-end loading is paid by the lessee—normally six to ten months—which can be up to half the cost of the vehicle. Then the lessee pays the monthly instalments. The car is used by

the lessee, but at the end of the lease either the employee using the vehicle or someone else within the company has the option of buying it for perhaps 10 per cent. of cost. In practice an employee can be buying a £20,000 car after two years for perhaps £2,000—obviously well below market price.

So the lessee company is paying 90 per cent. of the value of a car over a couple of years without the benefit of a residual rebate, and the employee is acquiring an asset which will enable him to make a substantial capital profit on its sale—a tax-free profit.

Other schemes centre around wealthy individuals acquiring assets to lease and utilising the first-year allowances to offset tax bills.

The chairman of the Inland Revenue, Sir William Pile, has already made it obvious that the Revenue is opposed to such schemes which are basically no more than tax evasion dressed up to be legal.

Some had thought the recent Budget would contain specific details on the tightening up of leasing, but the Revenue might well be able to move against these dubious schemes within their existing powers—perhaps by taxing the employee who benefits under Schedule E (concerning benefits in kind). There are also avenues open for the Revenue to have go at the leasing company direct.

The feeling is that the Revenue will act soon to establish a tax case. The only fear among the respectable leasing companies is that the authorities will use a "sledgehammer to crack a walnut." That could be bad news for the whole industry.

Terry Garrett

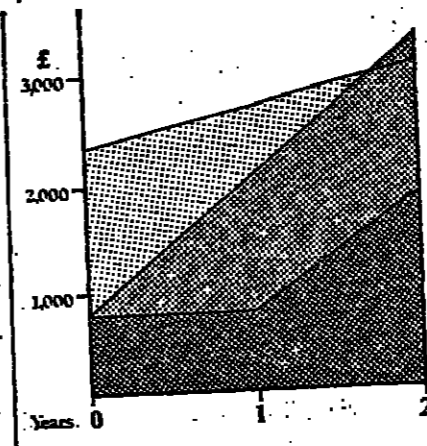
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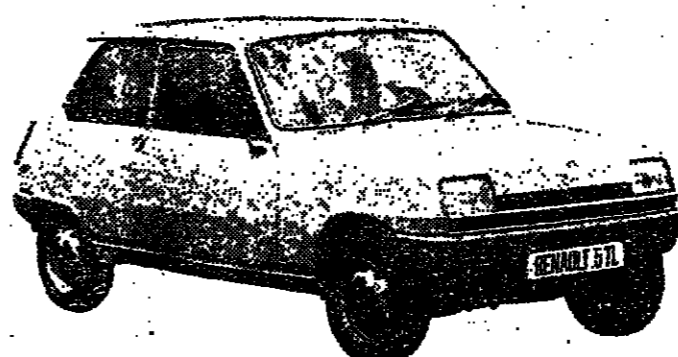
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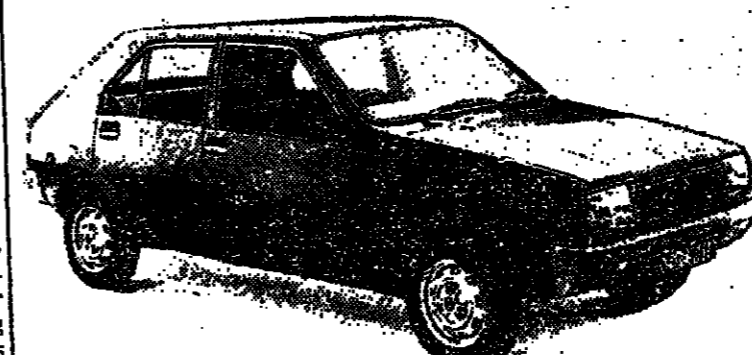
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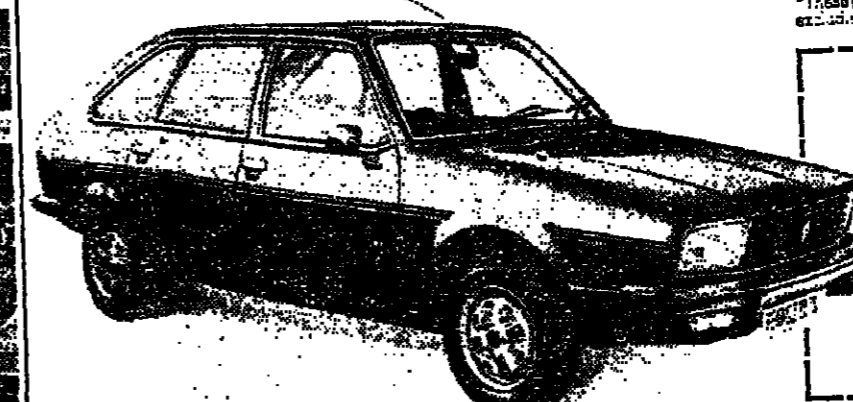
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VEHICLE FINANCE AND LEASING VIII

Buying privately

THE STAGGERING escalation year loan is twice the flat cost over two years) while other in the cost of both new and second-hand motor vehicles over less 1 percentage point; a flat rate of 29 per cent.

A standard measure of interest rates will make it considerably easier for the consumer to make comparisons between each form of credit that is available. Under the Act the consumer is also given greater protection when seeking finance. Reference companies must now be licensed. Moreover, consumers will now be entitled to see just what the credit reference companies have about them on their files. What is more the consumer will have the right to point out any error of fact on the file and this would need to be corrected by the agency. Since the bulk of finance companies use these reference agencies and loans can be granted or refused on their content, the importance of this development is plain to see.

Another important section of the Act is that covering the so-called "extortionate credit bargains." The consumer is protected from being charged excessive rates. The courts have the power to reopen any credit bargain which requires grossly exorbitant payments or in other ways grossly contravenes ordinary principles of fair dealing. By far the cheapest form of finance around at the moment for new cars are those offered by the manufacturers through their dealers, as part of a special promotion campaign. Up to now it has mainly been the foreign manufacturers who have been active in this form of promotion. While the schemes are often only linked to one model, and then for a limited period, the savings can be enormous. Fiat is currently marketing its 128 with credit available at only 3 per cent flat (under 6 per cent in real terms). Lancia, until the end of this month are offering 6 per cent flat (under 12 per cent in real terms).

Credit

Installment credit can be made to look far more attractive by just quoting the flat rate of interest rather than the real rate. The flat rate is the actual amount charged per annum on the original amount borrowed and takes no account of any capital that has been repaid, which is how the real rate is calculated. If £2,000 was borrowed for a period of two years at a flat rate of say 15 per cent, the amount of interest charged would be roughly £300 per year. But since half the capital amount would have been repaid after one year the second £300 interest charged would be based on a capital owing amounting to £1,000 — a rate of 30 per cent. The more capital that has been repaid the higher the actual or real rate of interest becomes. A rough guide to the real rate of interest on a two-

Despite the relatively high period must be a maximum. cost of H.P. this form of finance remains the most widely used. Apart from the special ma- scheme, purely because it is the factorer schemes already mentioned the best form of fina- is through the clearing bar- The cheapest credit here- through an overdraft and effort and fuss to obtain.

Some of the finance houses also offer financing schemes linked to the two main motoring organisations. Mercantile Credit has a scheme linked with AA. members while Lombard North Central operates in conjunction with the RAC.

AA members can obtain a fixed term loan with the Mercantile at a rate of 9 per cent flat which for a loan over two years—the maximum permitted for the purchase of a motor car—works out to a true interest rate of 17.5 per cent per annum. There is also a continuous credit scheme whereby further advances can be made when part of the loan had been repaid. Interest rates here are 1.5 per cent per month equivalent to a true monthly rate of 20.75 per cent. The RAC loan rates are 9 per cent flat, roughly 18 per cent true rate, for periods up to three years no matter what the goods are, although in the case of cars the repayment

Commission

If the dealer is taking some commission on the H.P. business the rates of interest would be about 11 to 12 per cent flat (about 21 to 23 per cent real) on a new car. If this commission had been repaid, interest rates could be as low as 8 to 10 per cent flat (15 to 19 per cent real). These rates, of course, are mainly given by the major finance houses but the consumer can, in most cases, ask the dealer to act with any particular finance house.

It must be stressed, however, that these rates are only applicable to new cars. Rates on second hand cars vary according to the age of the vehicle. Rates here could range from about 14 per cent flat (27 per cent real) for a one year old car to about 30 per cent flat (about 39 per cent real) for a car over five years old. All these rates quoted could fluctuate slightly following the recent increase in M.L.R.

While concentrating on H.P. agreements it is worth pointing out that they are governed by certain restrictions which are regulated by the Government. At the moment there is a requirement of a third deposit while the repayment period is a maximum two years.

Road hauliers

DOUBTLESS THE road haulage industry has faced one of its toughest trading periods ever in recent years. Although it appears contrary to the free enterprise style which surrounds the industry, some of road hauliers have called for a restriction of competition to ease their plight. Others, however, argue that it is the hauliers own inefficiency which is the root of the problem. Gloom in this sector was neatly summed up by Mr. Peter Thompson, chief executive of the National Freight Corporation, in a paper some months back to the Chartered Institute of Transport.

He claimed that the industry was declining in size and in numbers employed, fragmenting, not making sufficient returns to reinvest and offering a poor employment package compared with industry as a whole. Though he believes the haulage industry is becoming more efficient, thanks to improved technology, this benefit is passed on to the customers in lower prices rather than helping the industry. The root cause of all these problems can be found in the tough competition which dominates the sector.

Licences

Mr. Thompson's recommendations to improve the hauliers' lot were based on three lines of attack. He wanted the number of new licences granted to operators restricted by some overall governing body at a time when over-capacity was causing the industry problems. Also, there should be a structured rate system stipulating the minimums, though the system of recommended rates has only just been dropped by the Road Haulage Association under pressure from the Office of Fair Trading. Finally there should be a tightening of the restrictions which enable "own fleet" operators to directly compete with the established hauliers.

Certainly these protectionist arguments would help inject better profits into the haulage sector, but not all interested parties would go along with them. The Government for one does not appear to have taken too much notice of the hauliers' cries of anguish.

Indeed the fleet managers can see even more problems on the horizon, and some uncomfortably nearer. Harmonising with the EEC is certainly a problem. The eight-hour EEC driving day will undoubtedly lead to higher costs when it is finally adopted while the use of the dreaded tachographs, or "spys in the cabs" as the

drivers have coined them, could send some managers grey. Also there is the EEC's ambition to tax lorries by axle weight, which could cause another dramatic jump in excise duty for the heavier vehicles. But it is not all gloom. After all, the hauliers have survived one of the longest and toughest recessions and even though there have been casualties the worst is probably over, though 1978 is unlikely to be a year of much rejoicing. A good increase in industrial activity would be needed to put a smile on the haulier's face.

CONTINUED ON NEXT PAGE

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Decisions for the lessee

MANAGEMENT pressures and more pronounced than any previous downturn in its business cycle since the 1930s. Many observers wonder at its survival.

Yet it does survive. Capacity controls have been abolished and the industry appears to be through the worst of the slump. The State-owned National Freight Corporation managed to increase its profits by close on a fifth at the trading level in 1977. And although something over half of the group's revenues now arise outside the conventional spot and general haulage markets, it is profit performance like this that are a tribute to the resilience of the modern haulier.

The strength of the haulage industry is traditionally said to lie in the fact that it is composed of a very large number of very small businesses each operating a handful of vehicles. Up to a point this is true for the small operator is naturally sensitive to change and flexible enough to adapt quickly. But the fragmented nature of the trucking business has also allowed it to slip easily into modern economic patterns, and in no area is adaptability and change more readily apparent than in the way operators are handling their capital outlays.

Lorries have grown in size. Leaving van-type vehicles out of the equation, it is probably true to say that there are 10 per cent fewer lorries on our roads than was the case a decade ago, despite an increase of something like 30 per cent in the ton-miles of freight moved over the past ten years. It is clear from the latest registration figures that there is a build-up in heavy articulated vehicles at the expense of smaller, rigid lorries. This increase in vehicle size, compounded by the impact of inflation, has substantially increased the capital costs of commercial vehicles. A 30-ton articulated vehicle now costs something in the region of

£45,000 to purchase outright, so a fleet of even modest proportions today demands that its owner dip very deeply into his pockets when replacement time comes around. The outright purchase versus leasing arguments rage on, but viewed from any angle the cost sums of the opposing camps are now beginning to look remarkably similar. Clearly there are several ways of looking at the financing options open to the fleet owner.

The starting point for the transport executive is easily isolated: are his available funds sufficient to cover outright purchase? If not, he is more or less forced into leasing or hire. But if he has sufficient funds surplus to his working capital requirements then the cost arguments tend to favour outright purchase. As one prominent member of the haulage industry put it: "If there is a profit in leasing for purchase for the finance company there must be a profit in it for us."

Yet the movement of freight has become a specialised business to a degree that would have been unrecognisable only a few years ago. There have been major changes in the

manufacture and movement of goods, and there have been even greater changes in the structure and organisation of distribution and actual selling procedures. As a result the demands on the hauliers are now much more diverse—to a point that can make forward financial planning a major task.

It is at the level of the more modest fleet operation that the leasing fraternity has so far achieved its greatest market penetration. One reason here is that it is almost impossible for the small man to properly evaluate his fleet and therefore take the right management decisions. On the basis of a huge fleet and diverse customer representation, a leasing company is in a far better position to gauge the mileage life of a particular vehicle and to balance correctly the opposing forces of a descending rate of depreciation against the ascending costs of repair.

Leasing also injects an element of fixed cost into fleet management allowing the financial budgets of the operator to be set out once the ink is dry on the contract. At the same time the "off balance-sheet" element within a leasing contract is a clear attraction to some fleet operators, especially to those whose hor-

izons are already heavy. Some leasing companies have found this to be a major selling point where customers attach importance to balance-sheet ratios like returns on capital employed.

Thus in some ways the transport executive can use a leasing arrangement as a credit facility allowing himself the flexibility of replacing or acquiring additional vehicles without an embarrassing interview with his company's bank manager. Interest rates have begun to edge upwards once again and the cost of new money has returned to the forefront of the managerial mind. Equally telling, in some ways, is the "fall in" aspect of leasing agreements—this is especially important with passenger cars where visual impact is an important customer requirement. Some leasing companies offer a full mechanical repair and breakdown service plus a vehicle replacement service at 24 hours notice. In addition routine servicing of vehicles is often carried out with cars both freely delivered and collected.

Jeffrey Brown

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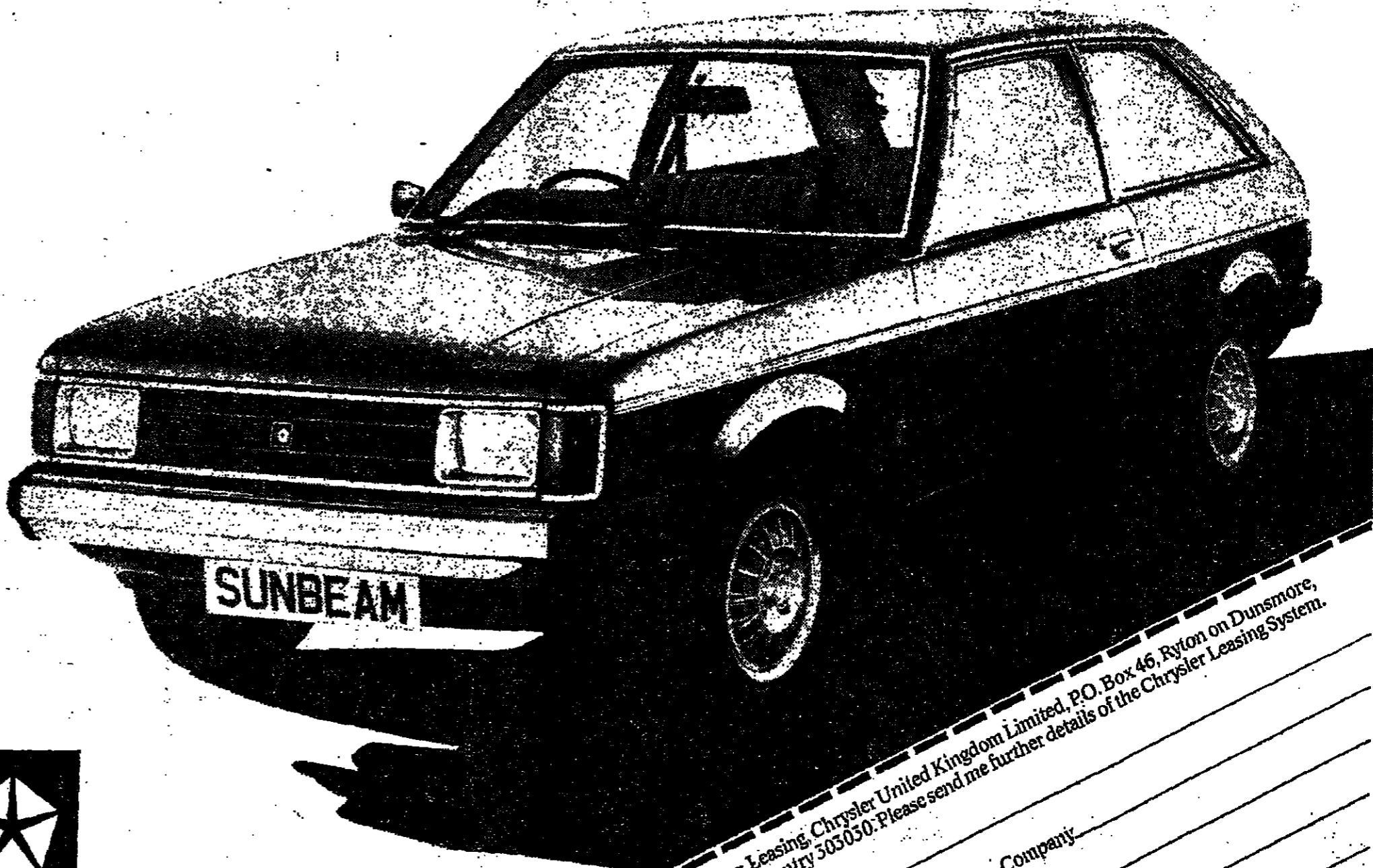
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Hauliers

CONTINUED FROM PREVIOUS PAGE

Perhaps one of the strengths of the industry which has some of the larger firms to take up it ride out these difficult times is that there are a great many small firms with only a few vehicles. This has given a chance for the industry to be flexible and responsive. At last that is how the text book argument runs, and the National Freight Corporation state owned and by far the largest single operator in the market has adopted the policy of delegating responsibilities to a fair degree.

Even so, the average haulage business is becoming larger and, of course, trucks are becoming bigger. The larger firms certainly dominate the long distance operations. The haulage market is highly specialised. At one end is the small local operator who may concentrate on moving or tipping construction materials, or disposing of waste. The multitude of "skip" hire firms which are sprung up is a classic case. At the other end of the spectrum are the national operators offering refrigerated services taking food from one end of the country to the other and often undertaking complete distribution for a chain of shops.

Specialisation in the freight market has become particularly obvious among the larger hauliers who have tended to drift away from traditional casual work. Certainly, the days where the small operator could buy a truck on hire purchase, and go straight out to ply for hire are gone—not just because of the growing sophistication of the market but because of the deluge of rules and regulations which now surround the haulier. The fleet manager's job has become increasingly complex and more demanding. Once it was said that the best fleet managers were those who started their career behind the wheel of a truck. Perhaps, but nowadays he has to put some time in at night school if he is going to find his way around the complexities of fleet management.

The computer can help fleet managers make considerable savings. Using the Pathfinder system improvements in efficiency of between 15 and 50 per cent have been registered. IBM also offers a range of computer programmes for the haulage industry. It too claims that considerable savings have been made when the programmes have been put into operation.

However computers are really out of the grasp of many fleet managers, though in the next decade more companies may be offering external consultancy services to managers.

Meantime the major job of the manager is to keep his costs down. For the commercial vehicle fleet, maintenance is one of the major elements of management costing, for lost time on the road is lost profits, more so than in the case of a sales representative and his car, which may cause difficulties but is unlikely to hit profits so directly.

There have been considerable improvements made to vehicles. There is nothing like a poor sales market to encourage the manufacturer to try to make his product that much better than his competitors. As a result servicing intervals can be extended without increasing the risk of costly breakdowns. Which means that the fleet can spend more time on the roads—obviously a critical point for the commercial fleet operator. Even so time lost through mechanical breakdowns is one of the major problems for the smaller vehicle fleets which lack the facilities for in-house maintenance.

T.G.



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The foreign invasion

IN TWO individual months last year, importers captured more than 50 per cent of the U.K. car market. They emerged over the full period with a 45 per cent share, and in the first three months of this year they have hung on with 45.8 per cent of the market. Although this is far more than the norm for the rest of Europe, where imports stand at about 25 per cent, it is now difficult to see imports pushed back by much more than 10 per cent, even if the British industry performs exceptionally well and better than the past record suggests is possible.

The reason for this scepticism lies in the type of imports which are coming into Britain. Some of the growth in the past few years—particularly in the past two—derives from the structure of the industry, which would have to be radically changed to alter the tendency. This is because companies like Ford, Vauxhall and Chrysler import large quantities of vehicles in order to make the most of their resources on a European scale. Last year cars imported from their Continental factories accounted for about 10 per cent of total imports, and although this figure may fluctuate both up and down in future, the presence of these kinds of imports will remain.

Networks

The second factor is the presence of the Japanese importers, who sell far more cars in Britain than in other individual European countries. These companies—Datsun, Toyota, Mazda, Honda, Colt and Subaru—are now well established and have set up dealer networks capable of taking 35 per cent of the market. In the first two months of this year they captured 13 per cent, and although the Japanese Government is now seeking to restrain shipments, the Japanese importers' share is expected to stay at around 30 per cent.

Although there is no clear guide in the official statistics to the specific market for imported vehicles, it is reckoned by most analysts that the vast majority of their sales go to private customers. Indeed, possibly 75 per cent of all private sales last year went to important cars. This means that the importers have still got a long way to go on the fleet side of the market, which remains predominantly British.

The difficulties facing importers in this sector are, however, considerable. The distinguishing characteristic of the fleet market is that customers buy in bulk—in fact, to qualify for fleet discounts with the major manufacturers, orders have to be over 15 vehicles. The trouble for importers is that they cannot carry the amount of stock to make a sustained attack on these kind of orders. The British manufacturers, on the other hand, are able to take vehicles straight off the production line.

The second factor is the size of the distribution network available to the U.K.-based producers. Because they have dealerships spread nationally in much greater numbers than even the largest of the importers, they can offer better servicing and maintenance deals to big customers. The contract hire part of fleet business has been rising rapidly, leading to a considerable demand on garage facilities. At the same time, the larger, longer-established dealer networks of the U.K.-based manufacturers tend to have greater financial strength and the ability to offer more sophisticated leasing and other finance deals.

As a result of this, distributors normally receive from ECGD a credit rating which is considerably higher than would be allowed on a normal accounting basis. Within ECGD, deals

not sold as part of bulk orders, but they are financed by the corporate purse in one way or another.

The bulk of these cars probably go to small businesses or the professional classes, where a vehicle can be offset against tax. Indeed, the current Audi advertising is overtly aimed at attracting businessmen who are aiming to face up to high taxation demands and want to lighten the burden as much as possible. Immediately after the Budget, for example, the company came out with an advertisement entitled "How to increase your personal allowances by more than the Chancellor increased them yesterday." Last year, it pointed out in a leasing advert that "You can pay a monthly rental which can include all your maintenance costs. You don't have to worry about depreciation either. And the entire cost of leasing can be set against tax."

Fleet buyers have been faced with similar decisions in the medium-range car sector. Both the Vauxhall Cavalier and the Chrysler Alpine have been imported in large numbers in the past two years, although both these models are now being made in Britain. The effect of these developments has been to make customers much less sensitive to buying foreign cars, and the acceptance is growing that companies will have to go foreign for more and more of their needs.

So far, the foreign manufacturers which have achieved the most success on this trend are the executive car producers. By far the majority of the Mercedes, Audi, BMW and larger Peugeot cars sold to Britain go to the company market. These tend not to be fleet purchases in the precise sense, since most of them are

not sold as part of bulk orders, but they are financed by the corporate purse in one way or another.

The signs are that most of the importers' effort in the company car market in the next year or so will continue to be concentrated on this end of the market. They have a ready-made sales opportunity in the

Marketing

Similar marketing aims lie behind the growth of leasing schemes in this sector. In this field, the aim is to help customers spread the payment for their vehicles over a period of time, while receiving the advantages of being able to offset the lease against tax. These are schemes specifically designed to help business customers, although some private motorists can also benefit from them.

The signs are that most of the importers' effort in the company car market in the next year or so will continue to be concentrated on this end of the market. They have a ready-made sales opportunity in the

specialist sector because of the shortage of British-made cars of this kind, the demand for variety, and the poor supply position at Leyland. Even the Japanese manufacturers are now finding that they can appeal to a part of the luxury market—as, for instance, Colt, which has just launched a cheap leasing scheme.

Whether they can now build on this base to expand into the rest of the fleet market is now the big question facing the industry. Experience shows that there is sufficient variety of demand within the British market as a whole for a number of importers to be able to build a 3 to 4 per cent market share quite easily. But expansion beyond that point is more difficult. It means, in effect, gearing up investment in stocks, building up much larger dealer networks, and pursuing a more aggressive sales policy than most importers feel they are able to because of the uncertainties of supply.

It also means making a determined attempt on the fleet market as a whole, and trying to push into volume as well as specialist car sales in this sector. This is the only significant area in which importers still have to make a serious impact. One or two importers have already made attempts on the volume fleet market and retired—Volkswagen, for example, has decided to concentrate its company car efforts on its specialist car models. But others are still trying and are determined to build up on the basis of moving from small fleet sales of a handful of cars, to the medium-size companies which are not of such overriding interest to the big U.K. manufacturers.

Terry Dodsworth

Exporters play their part

THE EXPORT of motor vehicles continues to be a major contribution to Britain's earning power overseas and the financing of these sales is carried out routinely by most motor companies, usually with backing from the Export Credits Guarantee Department.

Some major exporters of vehicles such as Ford carry out much of their overseas business through their own finance houses and as far as ECGD is concerned, most short-term sales are covered by standard comprehensive guarantees. The main financing problem of the industry and its overseas selling operations is the creditworthiness of distributors abroad, many of which may operate from a small capital base and therefore are sometimes regarded as a high potential risk. However, this is counterbalanced by the close links which major suppliers normally maintain with their distributors and the greater extent of financial detail which can therefore be provided about the distributor's activities.

As a result of this, distributors normally receive from ECGD a credit rating which is considerably higher than would be allowed on a normal accounting basis. Within ECGD, deals

involving cars or smaller vehicles are handled by a department which covers short term cover of up to six months, while another department deals with longer-term cover for larger deals, often involving trucks or heavy vehicles.

Almost all U.K. motor exporters use ECGD, which enables them to get bank guarantees and finance for shipments and direct exporting is probably the most common form of transaction.

For a variety of reasons, such as requirements in buyer countries for some local participation in production, the volume in exports of knocked-down vehicles has been increasing recently and cover for political and economic risks is provided by ECGD in these cases in the normal way.

Cover

However, the extent of cover can depend on the degree of control or ownership which the motor manufacturer has in the assembly company. Where this is less than half, insolvency cover can normally be provided, but for obvious reasons ECGD limits its cover when a transaction approaches an inter-company level, where a parent owns 50 per cent or more of the subsidiary.

Normally the industry does not require pre-shipment or pre-credit risk cover, due to the fact that vehicles cannot usually be identified by manufacturers as being specifically for a particular market, although this cover is used on occasions when an order is placed for special

vehicles such as police cars. The main call for longer-term cover continues to come from exporters who win contracts for large numbers of trucks or buses from countries outside Europe, and this normally extends to around two years. Within Europe even this type of business tends to be shorter term, conducted on a continuous basis.

Despite the problems of the motor industry, the U.K. maintained a positive trade balance of £1.3bn. last year, exporting motor products worth £3.5bn. and importing similar products worth £2.2bn. However, this favourable balance was reduced by 14 per cent last year when compared with 1976.

Exports of cars last year amounted to £752m. compared with £633m. in 1976 (an increase of 19 per cent.) while components worth £1.6bn. were exported last year, an increase of 22 per cent. on the previous year. However, the import level of components last year rose by an unprecedented 66 per cent., giving rise to fears that the problems of motor manufacturers were filtering through to the components sector.

U.K. exports of commercial vehicles in 1977 amounted to £633m. compared with £548m. in 1976, but imports rose by 72 per cent. to £211m., another cause for concern within the industry. Although the export performance reflected in these figures does show considerable increase in terms of sterling, they do not reflect either the effects of inflation (which was running at a comparatively high level during the period) or the various fluctuations in exchange rates.

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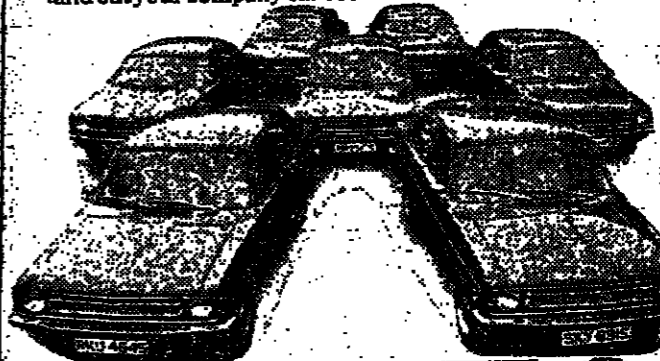
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IN THE past 12 months there regulations on company car self-employed in an attempt to has been an unprecedented taxation—indeed, in stressing away from the private customer. surge of interest in the leasing of vehicles. The company's latest model, the Sigma, is a more refined product than the average Japanese Control of Hire order in the virtues of its vehicles. Audi has paved the way with advertisements which do not show the vehicle at all.

VW believes that between 70 and 80 per cent of its Audi 100s are sold to companies already. But in the last year or so, it has also been making a serious effort to push more deeply into the fleet market with the whole range of its products. This drive is now being checked with the intention of concentrating on smaller fleets of between 10 to 20 cars where VW believes that a moderate-sized importer can make the most impact. At the same time, it has appointed a fleet and leasing manager to give back up support and expertise to dealers in the leasing field.

Another company which has decided to concentrate heavily on leasing is Fiat. The Italian group has come up with a scheme designed to give its customers and dealers the advantage of larger scale leasing contracts on the grounds that it is in size that the main advantage of the system lies. Rather than allowing its individual dealers to set up their own leasing operations, it runs a central leasing company which has responsibility for all the cars.

The other factor is the question of maintaining and servicing a vehicle. Particularly for smaller companies which cannot afford to maintain their own servicing department, this is an important question. Many of the cars falling into these categories are used intensively and are needed for work. What leasing can offer is maintenance contracts which promise to keep the vehicle on the road, and the use of an alternative if anything goes wrong. They allow cars to be used very much more as a tool of the business, working to maximum effect like any other piece of equipment.

The Audi finance company which offers the leasing scheme is one which is in general use by its dealers for financing stock, funding after-care warranty, and providing cheap hire purchase schemes. Volkswagen, for example, is at the moment offering a three per cent HP scheme to customers. The group says that the finance company, 51 per cent owned by Lloyds and Scotts and 49 per cent by Volkswagen GB, began to provide leasing as a weapon of growing importance in the company market. Since it started advertising a month ago it has had "an enormous response."

The company which has taken the lead in this field is probably Audi, the Volkswagen subsidiary, with a series of advertisements directly appealing to the small businessman. Leasing is seen as one of the aids in this sales effort, although the company has also made a great play with the specific engine characteristics of the C11, one of the smaller larger 1000 model which fall into the scheme deliberately at small tax barriers under the recent response.

Whatever help can be offered by ECGD, it is stressed in the industry that credit insurance can only be as good as the contract itself and any failure in that contract through loopholes or other reasons is irreparable. In the case of major contracts the insurance element can be locked into the total bid figure, and with ECGD rates usually competitive, this system has generally proved successful.

Performance bonds, sums of money which are sometimes required by foreign buyers as a guarantee on delivery dates or the quality of goods, remain fairly common in the export market. Here exporters usually make use of banks, but problems can arise for smaller companies due to the effect of such bonds on the company's borrowing limits.

The introduction of the dollar buyer credit scheme by ECGD, again only for larger deals, has not caused the difficulties expected by some exporters, particularly since the fall in the value of the dollar has made such deals attractive to buyers. The financing and credit insurance terms British companies are able to offer are generally regarded as competitive within signatories of the Berne Union Agreement on export credit (mainly the developed countries) but there is concern over competition from developing countries which have set up motor industries and are anxious to use them to full capacity.

There is already evidence that these countries are willing to offer extremely generous terms in order to win orders and if world demand does not slack in these countries, competition could prove very tough indeed.

This problem is most likely to arise in the passenger vehicle sector as few developing countries have any great capacity in trucks and buses, but as far as Britain's overall position is concerned, the continuing slow-down in the rate of inflation can be regarded as the most favourable trend in terms of competition abroad.

Although sterling has risen in value against most currencies over the past year, and presents something of a problem, it is now widely accepted that marginal price fluctuations to the buyer have a comparatively small impact when compared with the value placed on quality, delivery dates and after sales service.

Lorne Barling

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Terry Dodsworth

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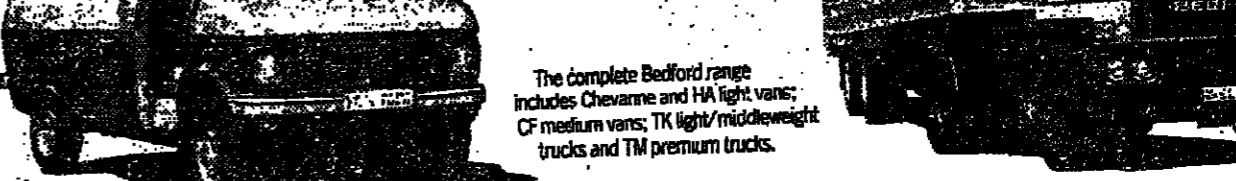
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Here's 9p for a start.

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Position

Company

Address

Tel:

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[Sign here.]

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that won't lead to problems later.

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Godfrey Davis
Car & Truck Leasing

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Car hire companies flourish

THE U.K.'s major car hire companies—Alvis, Godfrey Davis and Hertz—are enjoying, along with the rest of the motor trade, a period of vigorous growth on the leasing and contract hire side of their businesses. One of the more significant developments in this corner of the market was the re-entry of Hertz at the start of 1978.

This company operated a leasing business from the mid-1960s, but ceased writing new agreements after 1970 when it was decided that there was insufficient demand to support its continuing operation. The last of the leases expired at the end of 1973.

However, a flourishing industry has since developed on the back of rising costs of replacement and a more favourable regulatory and tax climate; specifically, relaxation of the Control of Hiring Order last June and an ability to use 100 per cent capital allowances in the first year on passenger cars (it was formerly only 25 per cent). Encouraged by these factors, Hertz was also influenced considerably by U.K. subsidiaries of American companies complaining to their parents that Hertz did not offer the service here. These complaints were duly passed to Hertz in the U.S.—hence the resurrection of the business.

Mr. Richard Weissbar, general manager of Hertz Car Leasing, recently gave the official Hertz view to the magazine Leasing Digest: "Hertz believes that vehicle leasing in the U.K. has a bright future, but that there are a few troublesome areas facing the industry. On the accounting side, there is a need for uniformity of treatment so that lessors and lessees account for leases in a similar fashion."

Favourable

"On the regulatory side, the picture is currently a very favourable one. However, there are some doubtful practices being employed in the industry, mainly in luxury cars. Since these practices are rightfully seen as benefiting a few at the top as opposed to the main purpose of fleet leasing as an efficient way of handling a company's total transport needs, there is the possibility of legislation harming vehicle leasing in general."

"Finally, some segments of the industry now appear to continue to use the inflationary used car prices of the recent past in forecasting residuals for a period of two years in the future. The concern here is that very difficult times may befall the overly optimistic lessors to the detriment of the more responsible sectors of the leasing industry."

"Aside from these concerns, aggressive but sensible lessors can expect vigorous growth throughout 1978. The industry will tend to sort itself out over the next two years and evolve into a market place well served by the professional car leasing companies who offer a high quality of service."

Those words were delivered

in February and are worth repeating now because not only do they give a view of the market as seen by a newcomer, but encapsulate perfectly the industry's general fear prior to the Budget that the less desirable elements to the business would bring down the wrath of the Chancellor of the Exchequer in his Budget, or spark off some savage new directive from the Inland Revenue.

In any event, the clouds have passed for the time being and business has indeed been plentiful. In common with everyone else, Hertz has been dogged by shortages of supply of new vehicles from Ford, but has managed to satisfy its more pressing customers with alternative Vauxhall Cavaliers, Chrysler Alpines and more recently—and despite political pressures to curb imports into the U.K.—Datsun, which has the uncanny knack of being able to deliver on time.

Enlarged

It is interesting to note that both Alvis and Hertz have found that motor car leasing and the traditional contract hire business have somehow managed to live happily side by side. In other words, while leasing is generally regarded as the main growth area, it has not necessarily been at the expense of contract hire. The whole business has been enlarged.

It seems that some fleet operators are happy to sign a contract hire agreement, even if expensive, because it at least represents a constant item in the corporate budget, and avoids any risk of being taken as regards residual values. Others, on the other hand, are taking the view (about which

Mr. Weissbar expressed doubts) that second hand car prices will remain buoyant and are opting for open-ended finance leases. Alvis, which started in motor car leasing in January, 1974 and which is in its fifth year of contract hire, reports that it has had its most active quarter ever on both fronts. Godfrey Davis, which is a Ford main dealer in its own right and which has been in the motor car leasing and contract hire business for 30 years, has presumably enjoyed similar conditions. However, in February, the company said that there were far more inquiries than firm business, but added that it was optimistic about the industry overall.

Unique

As a group, the car hire firms have a unique position which should stand them in good stead to gather their share of profitable business. For one thing, dealing in such volumes of cars and constantly disposing of those that have run out of useful life, does make them exceptionally well placed to take a very first-hand, experienced-based view of the market. They are therefore less likely to be seduced into writing foolish contracts. And, finally, they have the advantage of being not only nationwide, but international, as opposed to some of their competitors who are often concentrated into one area of the U.K. This strengthens still further their ability to take a view, but also helps considerably when it comes to providing replacement vehicles to those customers with full maintenance and breakdown services written into their contracts.

K.L.

Agricultural sector

THE LEASING industry, which is currently passing through a growth phase on all fronts, is constantly on the look-out for new areas to conquer. The aircraft, shipping, office equipment and computer businesses have already been penetrated to a large extent, while motor cars and commercial vehicles are currently being developed very rapidly. One of the last areas that has so far not fully succumbed, and is therefore attracting increasing attention from the powerful lessors, is agricultural equipment. The farmer, either independently or through co-operatives or syndicates, still prefers on the whole to own his essential equipment rather than hire it.

Agricultural equipment nevertheless has all the classic attractions for the lessor. For a start it is a big business, currently estimated to be worth around \$650m. a year. Individual units are expensive and replacement costs have been soaring, thus placing a considerable strain on the average farmer's cash flow and capital. But while no official figures are available, it

is estimated by those in the business that still only 10-12 per cent of this is leased.

The vehicle that is the basic tool of every farmer, the tractor, is as good an example as any of the replacement costs currently being faced. A conventional tractor—one with two small wheels at the front and two larger ones at the rear—can cost anything between \$5,000 and \$15,000. A four wheel drive version can cost anything up to \$17,000. And the top of the range—four wheel drive on four large wheels—the outlay is of the order of \$35,000 or so.

The next most popular piece of apparatus is the combined harvester, the cost of which runs from \$12,000 in its simplest form up to \$35,000. A highly specialised piece of machinery, such as a pea harvester, starts at \$100,000.

The farmer, who is forced to become increasingly mechanised in order to make a profit, has a number of alternatives open to him. The financial choices are: buy with cash, buy with borrowed cash, buy via a hire-purchase agreement, or lease. Also, he can either act alone or in a syndicate, depending on the outlay involved.

The course he eventually chooses to take will be decided by circumstances—cash in the bank, current level of debt, etc. He will be guided to a large extent, too, by the distributor of the equipment who, in all likelihood, will have the respect of the farmer for the simple reason that he will have an understanding of the farming business. He is far less likely to be persuaded by a purely financial argument from someone who is not directly involved.

The close-knit nature of the farming community may go some way towards explaining why the finance houses have so far failed to tap this market, and the problem still faced. But there are a host of other pitfalls, too.

Any finance house will have a very difficult time in assessing the credit-worthiness of a farmer, who has to be chairman, managing director, marketing director, accountant, secretary and just about everything else to do with the running of the business.

In all probability, the accounts will not have been prepared in a totally orthodox fashion. And because of the notoriously fluctuating fortunes of the farmer, and the seasonal pattern of profits (or losses), it will be difficult, perhaps virtu-

ally impossible, to establish the exact liability to taxation at any given time. The latter is, of course, particularly relevant because one of the main attractions of leasing is that it is beneficial to those without sufficient taxable profits to make full use of the capital allowances available on the equipment being purchased.

Furthermore, it will even be difficult to place a value on the value of the farm's assets. The property is one thing—the livestock and its value to the farmer are another.

And, finally, there is the added complication that the farmer in question may not own the farm at all, since around 50 per cent of the farming in the U.K. is carried out by tenants.

Grants

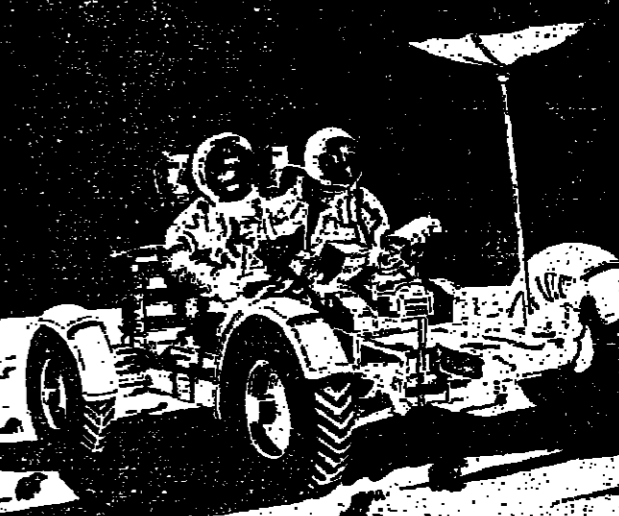
There are some regulatory problems to overcome, too. Farmers quite frequently qualify for grants from either the EEC in Brussels or the Ministry of Agriculture on the purchases of certain equipment. The general rule, which amounts to a considerable obstacle, is that equipment that attracts a grant cannot be leased as well. If it is leased, the farmer loses his grant since the user has also to be the owner to qualify. And only the lessor not the lessee, can have title to the equipment under a U.K. lease agreement.

But having said that, the problems are probably not insuperable and the overall climate remains attractive in the longer term. The position over the grants at the moment is that when the legislation was originally drafted, leasing was hardly developed and its purpose was therefore not to shut out this useful form of finance. Representations to the appropriate authorities have already been strongly made by the Equipment Leasing Association, individual leasing companies and a variety of sales associations.

The farmer himself is facing huge increases on replacement costs, not to mention all his other overheads, and is likely to be impressed by straightforward benefits to cash flow. Finally, distributors are well established, along with a developed market for used vehicles—both of which will make expansion of this business that much easier.

K.L.

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Shadows over Humberside

By ANTHONY MORETON, Regional Affairs Editor

...docks in Hull now...
...used to fish off the...
...of Iceland...
...at the quayside...
...are empty, the cranes...
...is difficult to visualise...
...is the largest fishing...
...Europe, one of the most...
...in the world...
...Wright dock on which...
...has recently been spent...
...with 25 vessels even...
...double banking. It can...
...three vessels at a time...
...is lucky to receive three...
...water vessels a week...
...the docks lies the in-...
...structure which can con-...
...to Hull's greatness. The...
...bution and wholesaling...
...ies are intact; ice making...
...er stores, plants for smok-...
...the fish, engineering back-...
...ilities all continue to...
...But there is not enough...
...to keep them going full...

Aberdeen lost 17 boats and...
Lowestoft eight...
The problems of the fishing...
ports are indissolubly linked...
with those of the fleets because...
these have traditionally financed...
their own shore operations...
through dues on ships and...
levies on fish landed. If fishing...
becomes difficult then there is...
insufficient finance to fund the...
shore facilities...
Those problems have multi-...
plied with alarming speed since...
late 1973. First, there was the...
sudden jump in the cost of fuel...
a large part of a boat's over-...
heads. Then there was the...
cutting-off of waters tradition-...
ally fished by the British, par-...
ticularly Iceland in 1976 and...
more latterly Norway, Russia...
and the Faroes. On top of this...
came the ban on herring fishing...
to prevent complete depletion...
of the fish...
Finally, there has been the...
imbroglio over a common...
fisheries policy in Brussels. The...
complete inability so far of the...
EEC Commission to produce an...
acceptable policy has led to in-...
decision within the British...
industry and an almost complete...
halt to new investment in ships...
Britain has in its waters 80...
per cent of the Community's...
fish stock and wants to ensure...
that it is allowed a commens-...
urate share of fish landed...
According to Mr. Austin Laing...
director general of the British...
Fishing Federation, "we could...
get a solution to-morrow if we...
were to settle on the terms the...
EEC wants. But the problem is...
to get a solution which is...
acceptable for the U.K. While...
this decision continues, fishing...
costs are rising seriously. But...
even this would be acceptable...
if we get the right long-term...
solution. Therefore we are not...
pushing the Government for a...
quick solution."

FISH LANDED BY PORT 1977 (provisional)

	tonnes	£m.
Hull	94,000	34.4
Grimby	26,000	11.6
Plymouth	20,000	5.6
Aberdeen	70,000	27.6
Peterhead	64,000	25.9
Lerwick	46,000	5.4
North Shields	44,000	7.0
Ullapool	44,000	7.4
Fraserburgh	34,000	4.3
Lowestoft	26,000	11.4
Mallaig	25,000	3.7
Fleetwood	21,000	8.7

Source: White Fish Authority

freezer. A fresher, or fresh-boat...
will pack its catch in loose...
ice and bring it back as wet...
fish—invariably to its home...
port. Two years ago Hull had...
40 freshers, compared with 33...
of Grimsby and 15 in the rest...
of Britain; now it has 27 and...
many of those are laid up...
The freezer deep freezers...
the catch at sea so that it can go...
straight into one of the dock-...
side deep freezers. Grimsby has...
six freezer vessels and is now...
the only other port with them...
The number in Hull has dropped...
to 26 compared with 33 just two...
years ago...
Logically it would seem sens-...
ible for Hull to absorb the six...
Grimsby freezers because its...
facilities are superior despite

Grimsby having spent some £2m...
on its shore infrastructure. This...
would enable the big companies...
such as Associated Fisheries...
Ross, Birds Eye and Findus to...
rationalise their own operations...
There would be an outcry in...
Grimsby, of course. Both ports...
are waging strong public rela-...
tions battles to back their causes...
and each has the same useful...
card to play to the present Gov-...
ernment—Hull's three MPs are...
all Labour and so is the one...
representing Grimsby...
Some form of rationalisation...
although it has to happen, could...
have dire consequences...
Grimsby's labour costs are very...
heavy: there are independent...
observers who will tell you that...
the industry's labour force has...
a stronghold on Grimsby and is...
slowly suffocating the port...
Grimsby estimates that its dock...
running costs this year will...
amount to a little over £1m, a...
rise of about 11 per cent on...
last year. The freezers are...
expected to account for about...
18 per cent of the landings and...
if this amount were subtracted...
from the port's estimated...
income there would be a short-...
fall of around £190,000...
This deficit would have to be borne...
by the remaining boats using...
the ports, pushing up their...
costs...
With costs rising at such a...
rate it would not be long...
before the other boats using...
Grimsby—its "40" "middle...
water" boats and five "near...
water"—sought landing facili-...
ties elsewhere, thereby forcing...
up the costs of those remaining...
Putting all the freezers into...
Hull would certainly give a...
boost to its docks in the short...
run but there are many other...
question marks over the future...
of the port...
Since the pattern of fishing...
has changed the freezers have...
had to look elsewhere for their...
catches and this winter many of

them have been working the...
mackerel grounds off Cornwall...
It has been more economic for...
the Hull boats to supply the...
Russian factory ships direct...
The freezers, because of their...
ability to stay at sea for long...
periods, need not land their...
catches at Hull...
Ideally a fresher has to be...
back in the port within about...
15 days of making its first catch...
otherwise the fish will start to...
deteriorate. The freezer can...
stay away from port for months...
Not only is its catch deep frozen...
but it can land it at several...
places. Freezer catches have...
been going into Milford Haven...
and Fleetwood could enjoy a...
new lease of life. It also makes...
more economic sense for a boat...
working western waters to pick...
up fuel and other supplies from...
western ports rather than from...
the Humber...
With the closing of Icelandic...
waters and the possible concen-...
tration of the fishing industry...
on blue whiting—largely found...
in the Atlantic off the west...
coast of Scotland—Hull is just...
about the worst placed port for...
a deep-sea fleet...
There are many in the...
industry and Whitehall who...
believe that Hull's days as a...
fishing port are numbered and...
that within a decade fishing...
could have disappeared from...
the Humber. This is vocifer-...
ously denied in both Grimsby...
and Hull but it is a strong...
possibility...
Despite the big change in...
both the size and composition...
of the fleet using the Humber...
over the past 15 years there...
are still more changes to come...
but these will depend on what...
happens in Brussels...
And there the role of Mr. John...
Silkin, the Minister responsible...
for fisheries, will be crucial...
Within the fishing industry...
there is just one area of com-...
mon ground: support for Silkin...



Mr. Austin Laing, director general of the British Fishing Federation with trawlers laid up in Hull docks.

To a man, the industry backs...
the tough attitude he takes in...
Brussels...
The one great fear within the...
industry at the moment is that...
a general election might be...
called before the common...
fisheries policy is agreed and...
that another Minister might...
then have responsibility for...
settling the final details of...
fishing policy. It is felt that...
the Commission and particu-...
larly the Danes and the French...
would take full advantage...
In the meantime, the indus-...
try is seeking some form of...
assistance from the Government...
to tide it over until a clear...
view of the future emerges...
While the Government is un-...
likely to be sympathetic about...
providing money to modernise...
the fresher fleet, which is now...
becoming rather old, particu-...
larly on Humberside, it would...
be catastrophic for Humberside...
if anything happened to either...
Hull or Grimsby before a...
settled policy emerged from...
Brussels...

Both ports employ large...
numbers and in spite of being...
in development areas there will...
be considerable human hardship...
if either is forced to shut...
Grimsby already has 13.3 per...
cent of its fishing industry un-...
employed and while Hull's...
figure of 3.6 per cent is not...
nearly so severe, the Humber...
ports account for just over a...
third of the unemployed in...
Britain's fishing industry...
despite having only a fifth of...
the workforce. Less than two...
years ago Humberside employed...
nearly half Britain's fishing...
labour force...
Also there are about 20,000...
Humbersiders who depend for...
their living on fishing, ranging...
from more than 6,000 in the...
freezing and curing business to...
100 or so making ice and just...
under 175 making nets, twine...
and tackle. Such problems are...
not confined to Grimsby and...
Hull. In Aberdeen there are...
over 1,000 people out of work...
about 13 per cent of the Scot-...
tish fishing labour force...

This picture of gloom has...
delays in investment decisions...
No new distant-water vessels...
are on order and companies...
British United Trawlers...
J. J. Marr, the largest private...
owned operator, are looking...
alternative uses for their boats...
Some have gone to Australia...
others are operating as sal-...
boats for the North Sea oil...
Meanwhile, the fresher fleet...
around the coast and the...
waters, the largest of which...
come from Aberdeen and Low-...
toft, are growing older...
If Britain were given an ex-...
clusive fishing zone of, say...
miles as a result of a com-...
mon fisheries policy then the indus-...
try would regain confidence...
tonnage, in the form of ven-...
tile multi-purpose vessels spe-...
cially designed for the...
grounds, would be ordered...
there would be hope for...
ports. But that is the gr...
uncertainty. And the un-...
tainty is playing havoc with...
industry...

Letters to the Editor

Unemployment statistics

Mr. A. M. Nodden...
The fact that there will...
much more unemployment...
are all used to, is sink-...
in but with no real aware-...
as to who are unemployed...
The Department of Employ-...
ment Gazette contains some use-...
figures and by comparing the...
figures for March and December...
year, interesting percentages...
revealed...
The general idea of unemploy-...
ment is that the unemployed are...
members of the working class...
much better off descendants...
Adam Smith's labouring poor...
Gazette gives us eighteen...
ups. The top of the highest...
of management and the...
est containing the general...
coursers...
Starting at the top, one is...
mediately in double figures...
per cent for top management...
then 46 per cent for the...
sporting professionals and the...
grades in management...
at the lowest we find 3 per...
cent for Group 18, with the...
eral labourers at a very nice...
The way in which unemploy-...
ment is presented to the nation...
is to be entirely wrong. Job...
at is needed is at the higher...
els. Government money, if it...
to be spent, should surely be...
employed backing the more...
intelligent, thrifty, and am-...
bition members of the middle and...
per classes, in an attempt to...
do out what we must make and...
I if we are to regain status...
a trading nation...
It may be argued that the best...
jobs have gone into the City...
and that there we thrive as a...
people who are very good at...
growing, or advising bor-...
rowers. Being in trade or man-...
aging hasn't the right look...
but it is just assumed to be...
but, no one talks about it...
It is not merely a matter of...
ring our educational facilities...
training in ways more closely...
related with industry than...
present. It is how to train and...
id a sufficient number of the...
unger men into a task force...
cluding pathfinders and ex-...
pers in the markets in the...
der world...
The words "market economy"...
become a bit of a catch...
phrase. It is not a bed of roses...
to compete to live is a heavy...
signment...
Motion...
Alumton Terrace...
Leicester upon Tyne

Design Council

Mr. J. Dingle...
Sir, Mr. Kent (April 24)...
brings a welcome touch of...
practicality to the discussion...
on industrial design when he...
points out that design is...
"the product of complex man-...
ufacturing processes". Aesthet-...
ic appeal for the eventual user...
and the properties of the materials...
from which the product is made...
If I may take as an example...
plastic products, which often...
come in for more criticism than...
they warrant—the means for...
effecting this kind of co-ordina-...
tion already exist, most notably...
in the customer technical service...
departments of the big polymer...
producers. One wonders whether...
differences in the way these...
departments are organised in...
their lines of communication...
with the product manufacturing...
companies, and in their relations...
with academic institutions res-...
ponsible for training designers...
do not account at least in part...
for our comparative weakness in...
successful design...
John Dingle...
Suite 1, Harcourt House...
19A, Cavendish Square, W.1.

Discussions on the Shetlands

From Mr. J. Burgess...
Sir, I regret that Ray Perma-...
was so misinformed in his article...
"all at sea in the Shetlands"...
(April 13) and I feel obliged to...
set the record straight...
The Shetland report by the...
Nevis Institute was not com-...
missioned solely to provide infor-...
mation relevant to the Shetland...
Bill. On the contrary, it is...
intended to provide a factual...
basis on which to base present...
and future discussion on the...
government of Shetland. This...
council was well aware that some...
models are not immediate...
options...
The real question facing...
Shetland is not as Ray Perma-...
suggests, "If Scotland does...
devolution what course can...
change for the islands as they...
are now?" It is, I think, cer-...
tainly prepared to make...
special arrangements for an...
interim period, no matter how...
much trouble they caused me...
and my civil servants...
J. M. Burgess...
Research and Development Dept...
Shetland Islands Council...
Town Hall, Lerwick

Unclaimed dividends

From Mr. R. Taylor...
Sir, I read with interest the...
letter from Mr. Lund (April 20)...
accusing companies of not spend-...
ing sufficient time and money in...
an endeavour to trace share-...
holders who have been negligent...
in omitting to advise their...
change of address or paying in...
dividend warrants they have...
been sent...
I think Mr. Lund should realise...
that shareholders also have...
responsibilities to accept, and I...
would not wish the companies in...
which I invest to waste time and...
money in a hopeless attempt to...
trace such investors. If dividends...
are of such little consequence...
that they are unaware as to whether...
or not they should have been...
receiving them, perhaps Mr...
Lund would agree that the best...
solution might be for them to be...
mandated to a suitable charity...
in the first instance...
R. F. Taylor...
12, Kent Drive...
Congleton, Cheshire

Changes in income-tax

From Mr. R. Murray...
Sir, In presenting his recent...
Budget to Parliament the...
Chancellor prided himself on his...
deal in responding to the re-...
quirements of that part of the...
gross salary to rise between...
10 and 15 per cent, and thus to...
compare his tax position we must...
apply a similar rise before de-...
ducting tax at the new rate. The...
table then shows that for those

EXPECTED INCOME AND TAX RATE IN 1978-79

Income In 1977-78	Tax rate %	+10% Tax rate %	+15% Tax rate %
5,000	27.5	3,500	25.5
6,000	28.7	6,000	27.5
7,000	29.5	7,700	28.5
8,000	30.8	8,800	29.5
9,000	32.4	9,900	31.3
10,000	34.2	11,000	33.4
12,000	37.7	13,200	37.1
14,000	41.2	15,400	40.8

1977. Finance Act which deals...
with the indexation of basic...
allowances. It is, I think, reason-...
able to assume the other major...
concessions of this Budget in...
similar terms...
As an example let us consider...
the integrated tax rate for a...
single man receiving only...
earned income in the two years...
commencing in April 1977 and...
April 1978. He will, even in the...
absence of promotion, expect his



Alec Duff, Transport Manager of Security and Courier Express.

"We're extremely vehicle dependent...
and we're growing all the time...
For flexibility as well as reliability...
we chose Camden."

Not that Alec Duff didn't take a close look at other...
people before he did his deal with Camden...
In the first place any transport system had to fit...
him like a glove. And, with 25 depots all over the...
country, it's no baby's mitten...
In the second place his operation is constantly...
expanding. Keeping up with, and servicing, his...
changing transport requirements would leave most...
contract hire and leasing companies out of breath...
But not Camden. Because, having handled all the...
financial arrangements for you, having worked out...
the best investment and tax savings, having stabilised...
your on-going costs, and having delivered the...
transport mix that exactly suits your requirements, we...
know we've put you on the right road...
Then we keep up with you...
ROAD SENSE. CUSTOM-BUILT BY CAMDEN...
CAMDEN...
MOTOR RENTALS LTD...
Fibroy House, 49-79 Lake Street, Leighton Buzzard, Beds. LU7 5SY. Tel: 0525 53 2700...
or Ashley House, Quay Street, Manchester 3. Tel: 061 633 9537

8m. loss
SMO

هكازم النحل

The Financial Times

Cadbury Schweppes around the world

Upsurge
Lindsay
Williams



slip to 83 1/2%

REVIEW OF OPERATIONS PRODUCT ANALYSIS

Product	Sales	Trading Profit
Confectionery	41%	51%
Drinks	25%	21%
Tee and Foods	29%	25%
Health & Chemical Products	5%	3%

ary Boo

UNITED KINGDOM REGION
Confectionery
Cadbury assortments, Cadbury and Fry count lines, Cadbury moulded chocolate, Christmas and Easter seasonal lines, Pascall Murray sugar confectionery.

Despite very substantial increases in consumer prices following the rise in the world price of cocoa bean, the chocolate industry has maintained a high level of activity. In 1977, industry volume sales were approximately 3% less than in 1976 but were more than 25% up in value. The Confectionery Division had an excellent year's trading and again made a very substantial contribution to Cadbury Schweppes' profits. This was achieved even though price increases had a greater effect on the moulded chocolate market - where we have a dominating share - than on other market sectors.

Drinks
Schweppes minerals and soft drinks, Rose's Lime Juice, "Cresta", "Zing", "Pepsi-Cola", "7-Up", "Suncrush" and "Kia-Ora".

In spite of a difficult year the Division achieved brand leadership for Schweppes fruit juices, successfully extended "7-Up" to national coverage and increased market shares in the take-home trade for Schweppes and "Pepsi" brands. The investment programme continued to up-date plant and secure maximum efficiency from newer bottling and canning layouts.

Wines & Spirits
"Dubonnet", Andre Simon Wines, Cusenier, Imported Spa Water.

We have continued the development of the Andre Simon range. Schweppes Agencies had a good year and "Dubonnet" continues to make good progress.

Tee and Foods
Typhoo tea and teabags, Cadbury Bournvita, chocolate biscuits, Cocoa, Drinking Chocolate, "Marvel", "Compliment", "Smash", "Snack Soup", "Soya Choice", Hartley's jams, canned fruit and vegetables, Chivers' jellies and marmalades, Rose's marmalades.

The Division held or improved the share of all its major products.

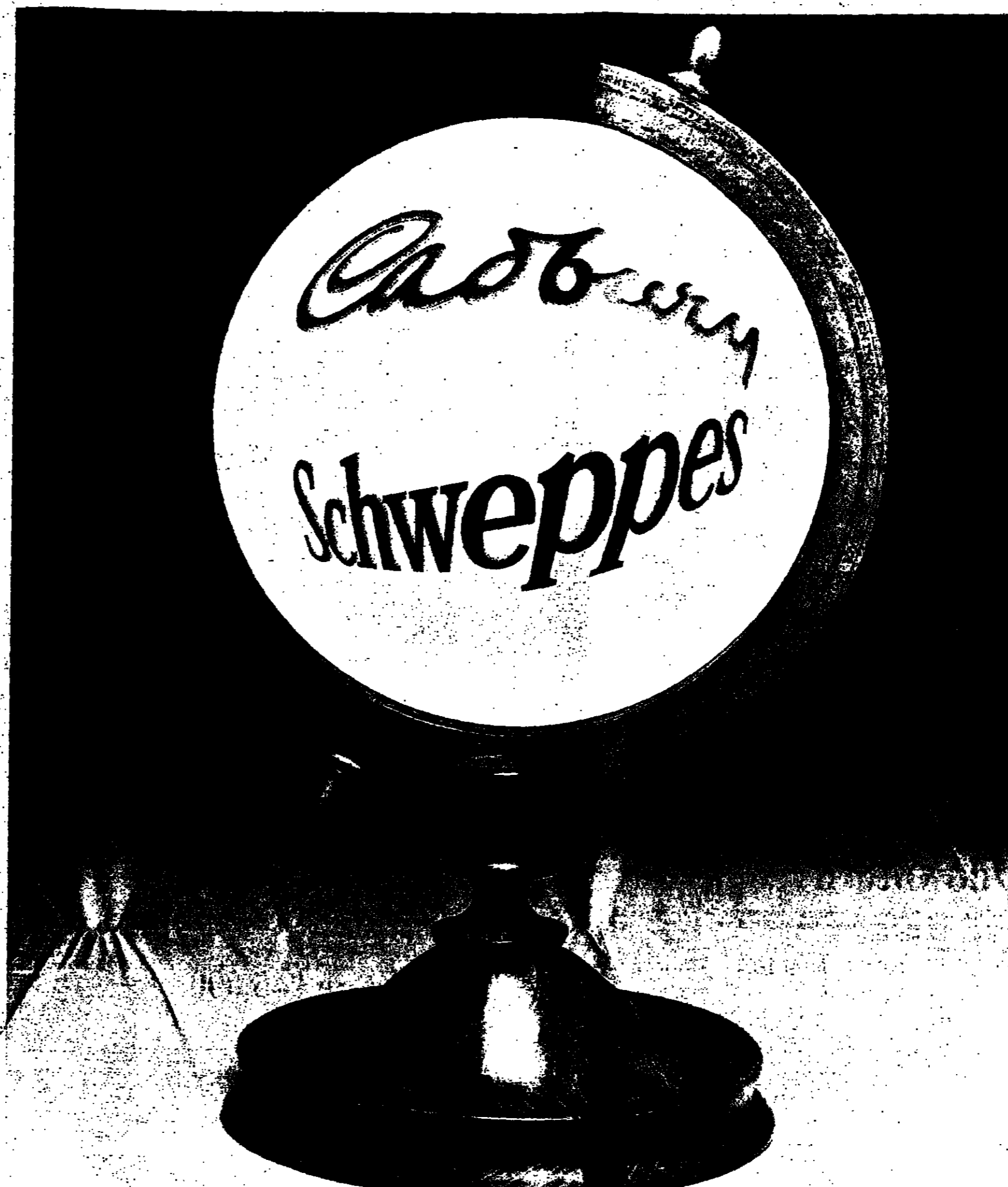
Typhoo tea is of major importance but following heavy buying in the first half of the year, there was a marked fall-off in orders in the last six months.

"Soya Choice", our textured vegetable protein range achieved sales and market share well ahead of target.

Kenco
"Kenco" coffee.

Prices of raw coffee reached unprecedented levels in the middle of the year. Nevertheless, Kenco had a very successful year's trading.

Health and Chemical Products
Jeyes Fluid and "Babysoft" paper products, "Parazone" bleach, "Sanilav",



Our Report and Accounts, which has been posted to shareholders, includes my statement on trading conditions together with a review of our world operations. These are some of the highlights.

Adrian Cadbury.

25th April, 1978 CHAIRMAN

1977 RESULTS

1977 sales at £884 million were 12% up on the previous year, while the profit before tax rose from £46.4 million to £48.2 million. These results marked continuing progress in strengthening the Company's operating base. We have continued to concentrate on the main stream of the business and on building for the future.

The level of marketing investment was over £10 million higher than in 1976 and will be maintained this year to increase the share of market of our major brands.

The build-up of our overseas operations continued and 48% of the trading profit came from outside the U.K.

The U.K. Confectionery Division made a substantial contribution to the results and the Canadian business is now trading profitably.

Prices of tea, coffee and cocoa fluctuated considerably in 1977, but all fell back from the high points they reached during the year. Through careful buying, product prices have been held as steady as possible and the peaks of commodity prices averaged out. The Company has every incentive to pass the benefits of its raw material buying on to consumers to win market share and volume sales.

FORWARD LOOK

In spite of all the uncertainties, the Company's aims are clear. We aim to grow by concentrating our marketing and technical effort behind the Company's major brands and we have two main objectives over the next five years. One is to

build on our established position in the North American market. I said last year that we needed to broaden the appeal of Cadbury and Schweppes products to obtain a greater share of what is still the largest and fastest growing single market in the world. The U.S. \$58 million bid for Peter Paul Inc. announced in February 1978 is geared to do this for our confectionery business in North America. The increased marketing investment behind Schweppes drinks has a similar aim.

The other objective is to improve the Company's return on assets in the U.K. This is again based on concentration of effort behind the major lines and firm financial targets have been set over the period between now and 1982.

It is not possible to make a firm forecast of the likely outcome for 1978 but we are budgeting for an increase in profits. The results should be assisted by a rise in consumer expenditure in the U.K., and by more stable raw material prices.

AMERICAN REGION

The American Region came back into profit in 1977 as a result of the expected growth in profits for Schweppes, Rose's and Powell and a reduction in Cadbury losses.

For Schweppes in the U.S.A., sales reached another record. In Canada, Schweppes sales were 43% over 1976. The new drink "Rondo" exceeded targets.

Rose's Lime Juice sales in U.S.A. were 7% ahead of 1976 and Powell's major brands in Canada were well over previous years' levels.

For Cadbury in Canada sales progressed as did market shares, but in the U.S.A. both sales and profits reflected the dullness of the market and our declared commitment to investment in long-term marketing.

AUSTRALIAN REGION

Company sales were 9% above 1976 with net profit before tax at £9.1 million, 24.5% above 1976.

Schweppes sales volume increased by 11% over the previous year; market share was held and gross profit increased by 2.5%. Cadbury showed an upward movement in its market share and increased profit through its new range of "Chunky" chocolate bars which captured a phenomenal £6 million turnover between May and December last year. New Zealand Cadbury Schweppes Hudson Ltd. had a highly satisfactory year.

EUROPEAN REGION

Sales of Cadbury Schweppes products in Europe reached £69.5 million, an increase of 5% over 1976. The volume of Schweppes sales continued to expand as a result of the successful development of new markets. Our market shares continued to show consistent growth and trading profits increased to £5.3 million.

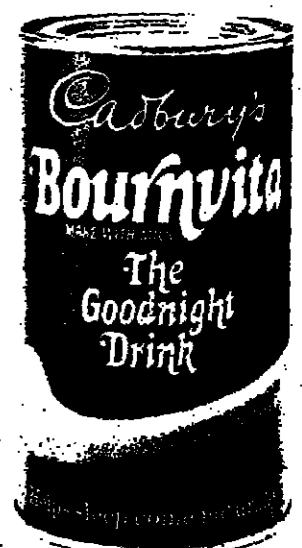
Ireland Cadbury Ireland Ltd. had a very successful year, achieving a substantial increase in profits as well as increased home and export sales.

Sweden Despite severe economic difficulties in Sweden, Cadbury Slotts A.B. again achieved record profits. Exports again showed considerable growth and improved profitability.

West Germany and Austria Sales of Schweppes products re-established their growth pattern towards the end of the year and sales of Chivers' jams exported from the U.K. doubled in volume.

The Company signed an agency agreement for the sale and distribution of Domecq products from Spain and sales began in September.

During the year, the Cadbury licence agreement with Storck came to an end and plans were put in hand to re-enter the German market with chocolate exported from England.



Belgium and France The Cadbury business in France continued to expand, with exports from the United Kingdom reaching a record £2.25 million.

Spain Rapid inflation and low summer temperatures combined to make 1977 a difficult trading year. Relative to competitors in the soft drinks market, the Schweppes brand sales held up well.

Italy The policy of concentrating our efforts behind the Schweppes brand has continued and significant gains in market share have been achieved.

Franchises Sales volumes continued to expand. Our operation in Bulgaria is fully meeting expectations and considerable progress has been made in generating interest in other East European countries. The franchise opened in Turkey in late 1976 has shown spectacular growth.

AFRICA

Cadbury Nigeria Ltd. traded well with volume sales approximately 40% up on 1976 with record figures for both sales and profits. A trebling of tonnage capacity to meet demand is envisaged by 1982. Bournvita business more than doubled in the last three years reflecting the enormous popularity of cocoa and malt drinks over the traditional beverages of tea and coffee. During 1977 a 100% Nigerian-owned company was granted the Nigerian franchise for Schweppes. Cadbury Schweppes has the contract to manage the operation and to build the factory which should start production in 1978.

Cadbury Ghana had difficulties in obtaining import licences but in spite of this, performed well with a significant increase in profits in 1977.

Cadbury Schweppes Kenya Ltd. had another record year with soft drinks sales in particular showing above-average growth.

Cadbury Schweppes (Zambia) Ltd. also had a successful year despite continued shortages of raw materials.

In South Africa, the economy continued to be depressed and this, coupled with high cocoa prices, made 1977 a very difficult year for Cadbury Schweppes (South Africa) Ltd. While confectionery profits were below those earned in 1976, the Schweppes franchise operation earned satisfactory profits in its first full year's trading.

ASIA

The first major diversification project of Cadbury India Ltd. - Sal Fat manufacture - was commissioned on schedule. This project is entirely export-orientated and fulfils a major requirement of Indian industrial policy.

Cadbury Confectionery Malaysia Ltd. in its first full year of operations traded profitably. The sales and profits of our confectionery joint venture in Japan in the year ending 31st March were on budget.

Our Schweppes franchise in Hong Kong had a record year both in sales volume and in royalties.

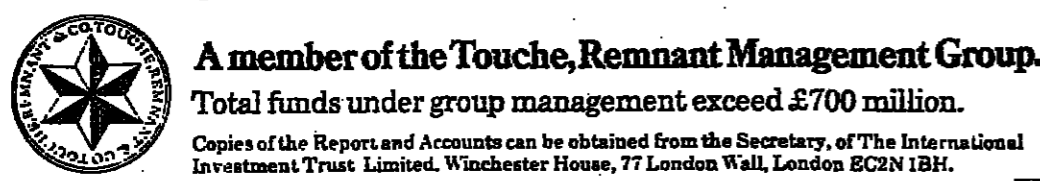
EXPORTS UP 48%

All sectors of our U.K. export business enjoyed another year of good results. Sales, embracing ten major company brands, achieved record levels with revenue in excess of £49 million which was 48% higher than in 1976.

Annual General Meeting

The Annual General Meeting will be held at 12 noon on Thursday, 25th May 1978 at the Connaught Rooms, Great Queen Street, London, WC2. Copies of the Report and Accounts Incorporating the Full Statement by the Chairman and the Review of Operations are available on application to The Secretary, Cadbury Schweppes Limited, 1110 Connaught Place, London W2 2EX, England.

Bodycote up by 17% to £2.04m. Fairbairn Lawson slows but reaches £1.34m.



comment

decade's first half profits grew more than a third has slumped 3 per cent. In the second half, nevertheless, the full year results are expected to be in line with the current climate of lower consumer spending, and the shares should slip higher at 60p. The company is expected to ride out the full impact of the textile recession by diversifying into new areas.

Wood & Sons advances to peak £0.25m

The 1977 figures exclude a share of Seymour Press Group News Kiosks (Holdings), which were acquired in January, 1978.

Tax takes 5444.106 (£22,824) and stated earnings advanced by 8.89p to 797p per 10p share. A final dividend of 1.425p lifts the total for the year to 2.7918p (2.13681p) representing a 10% increase on the previous year.

New premiums on permanent health insurance contracts also fell slightly last year for similar reasons to those affecting life business. But Mr. Donald reports that the continuous disability account continues to develop in a

the first time in several years were less than 50 per cent of the

Borough statement. The chairman (Borough) says the recession in the steel products

*Copies of the Annual Report and Accounts are available from The Secretary,
Joseph Shakespeare & Co. Ltd., Post Box 23, Cox's Lane, Old Hill,
Warley, West Midlands, B64 5NX.*

spirax sarco

[illegible]

Long-term local authority mortgages 11½ per cent. • Bank bill rates in 10 per cent.; four-month trade bills at 9½-9¾ per cent.; and three-month 9¼-9½ per cent.; and two-month 7½-7¾ per cent.; and 1½ per cent.; and also three-month 7½-7¾ per cent. from April 1, 1972. • Clearing Rate for London 7½ per cent. • Treas-

and interim dividend c
paid on 28th April, 197
7.004p net per share—
intends to pay an a
share, plus any permit
October, 1978.

BIDS AND DEALS

Lonrho representatives asked to resign from 'Suits' Board

ANDREW TAYLOR

"Trio" Rowland and two co-directors of Lonrho, Mr. R. Rowland and Mr. P. A. Prentice, have been asked to resign from the Suits Board.

Mr. Rowland, Mr. P. A. Prentice and Mr. R. Rowland, who were asked to resign from the Suits Board, have been asked to resign from the Suits Board.

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Meanwhile, a decision on whether or not the bid should be referred to the Monopolies Commission is not now expected until next week.

APPROACH TO ST. KITTS

Plans for the voluntary liquidation of St. Kitts (London) Sugar Factory have been placed in "mothballs" following the announcement that the Board has received an approach which might lead to a cash bid being made.

The company is proposing to adjourn (for 21 days) to-day's AGM at which it had proposed to recommend the voluntary liquidation of the company. This decision followed the nationalisation of the company's principal asset, St. Kitts (Basse Terre) Sugar Factory in which it had a 50 per cent. share.

Shares of St. Kitts (London) were suspended yesterday at the request of the company.

The potential bidder has said that an offer would be conditional upon to-day's meeting to discuss the voluntary winding up of St. Kitts (Basse Terre) also being adjourned for 21 days. However, the AGMs for both St. Kitts (London) and St. Kitts (Basse Terre) will go ahead to-day as planned.

The attraction for a potential bidder is that St. Kitts (London) currently holds cash of around £100,000 as well as some overseas securities. In addition the company is due its share of compensation from the St. Kitts Government which will total £1m. although the eventual sum for distribution is likely to be considerably less.

HALMA IN FRANCE

Halma has purchased 76 per cent. of Serv SARL, a French company specialising in the manufacture and sale of safety devices, for £40,515 cash.

Serv's products are complementary to the safety devices produced by Castell Locks, an existing Halma subsidiary.

The acquisition is intended to strengthen Halma's position in the expanding French market for safety products and provide additional export opportunities for Castell Safety Interlocks. In 1977 sales from Serv amounted to some £77,000.

W. J. REYNOLDS

W. J. Reynolds Holdings would have sought more funds from shareholders if Oakstone had not made an agreed cash offer, says Mr. Roger Marsh, chairman of Reynolds in the formal offer document. Turnover has increased from £8m. to £15m. in the last three years and additional equity would have been required before the next stage of expansion.

The £15m. cash offer gives a p/e ratio of 11.17 on 1977 profits but Mr. Marsh says that management accounts for the first two months this year "show a significant increase over the comparable period last year."

A one-for-one scrip issue is proposed in order to reduce expenses.

ASSOCIATES DEAL

Between April 19 and 24, Greaves Group sold 31,019 Lonrho shares at 71p and 40,218 at 70p for discretionary clients.

ALLEBONE

Tandem Shoes, the footwear retailing subsidiary of Allebone & Sons has entered into leases on 12 retail shops previously operated by Direct Fashion Shoes (Leeds) and taken assignments of leases on a further nine retail shops previously occupied by the company.

These shops (which in 1977 had a turnover of £1.1m.) are all in the North of England and strengthen Tandem's coverage in the retail footwear trade in that area.

Cash consideration payable by Tandem is £71,000 plus stock at valuation.

SHARE STAKES

BFB Industries: Prudential Assurance now holds 5.24 per cent.

Gibbons Dudley: Mr. R. D. Turner, chairman, has held 150,000 shares from his beneficial holding. His interest is now 1,150,000 shares held beneficially and 688,626 shares held non-beneficially.

W. Williams and Sons Holdings:—Cliff Hotel (Gower), holding of 323,000 shares (13.6 per cent.) has purchased a further 4,600 shares.

Porter Chadburn:—ITC Pension Trust jointly with the ITC Pension Investments holding a total of 192,500 Ordinary shares represents an interest of the Imperial Group in the company amounting to 5.6 per cent.

Rawlins Mackintosh:—Trustees of the Joseph Rowntree Memorial Trust have disposed of 50,000 Ordinary shares. They are now interested in 3,923,000 Ordinary shares (9.09 per cent.). The company's chairman, Sir Donald Barron, is a trustee.

Marley:—J. E. Aisher has acquired 40,000 Ordinary shares beneficially and 40,000 non-beneficially.

Gedong Investments:—N. M. Rothschild Asset Management (CI) managers of Old Court Smaller Companies Fund, have advised Gedong that Old Court holds 80,750 (9.99 per cent.) shares.

John Menzies (Holdings):—Mr. J. M. Menzies, a director, has now ceased to have an interest in family trust amounting to 490,088 Ordinary shares. Mr. Menzies' interest in Ordinary shares is now as follows: personal, 1,655,782 and trustee, 1,209,230 making a total of 2,865,012 (20.72 per cent.).

BET Omnibus Services:—London and Manchester Assurance has acquired 2,000 10 per cent. cumulative preference shares making total 22,600 (11.3 per cent.).

McCleery L'Amie Group:—Crubn Investments, a company wholly owned by Mr. A. W. Fleming (director) has acquired a further 25,000 Ordinary shares at 11.5p. This brings total of Mr. Fleming's beneficial interest to 204,000 shares (1.6 per cent.).

W. H. Cullen:—Trustees of the W. H. Cullen Pension Fund have recently increased their holding of Ordinary shares to 170,050 (17 per cent.).

Hampton Gold Mining Areas:—W. I. Carr Sons and Company, on April 18, 1978, purchased on behalf of Amniss Trading, 470,000 shares (11.20 per cent.).

Wagon Finance Corporation:—Friends Provident Life now hold 2,479,166 Ordinary shares.

Jacksons Bourne End:—Downgrange have acquired a further 28,500 shares, bringing interest to 285,500 (26.88 per cent.).

THE MAJOR U.S. ASARCO have reported a satisfactory situation in the last quarter with a net loss of £11.13m. (£8.1m.), equal to 42 cents per share, following a total net loss of £29.5m. for 1977. Sales for the past quarter were \$242.8m.

Apart from low metal prices and production cutbacks, Asarco has been hit in the 1978 first quarter by the U.S. coal strike which lasted from December 1977 to March 27, 1978.

As already reported Bendis, the U.S. technology group with interests in the energy, motor, aerospace and electronic industries has recently raised its stake in Asarco to 16.2 per cent. by the purchase of a further \$5m. shares for \$87.4m. They were £13 in London yesterday.

Asarco still in the red

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Provided the company's progress is maintained and the necessary appropriate commercial criteria are in each case satisfied, the company will wish to take advantage of such opportunities.

To this end, as already announced, a one-for-four rights issue is to be made, and increased borrowing facilities have been arranged.

A current cost statement with accounts shows the more than doubled pre-tax profit for 1977 of £8.5m. was reduced to £4.4m. by additional depreciation of £1.3m. and a cost of sales adjustment of £2.7m., offset by a gearing adjustment of £1.1m.

In the year there was a £1.23m. decrease (£0.52m. increase) in net liquid funds, and at balance date current assets were £44.99m. (£38.57m.), current liabilities £18.45m. (£13.35m.), and fixed assets £10.65m. (£9.88m.).

The group's ultimate holding company is BBC Brown Boveri & Co. of Switzerland, which owns 54.5 per cent. of shares. The National Enterprise Board owns 17.6 per cent. of shares.

Meeting, Connaught Rooms, W.C., on June 9 at noon.

Capital Expenditure

The bulk of the expenditure of £375,000 in 1977 was on new plant installed in the Wire Division. Of the £3 million of capital expenditure authorised for 1978, orders have already been placed for machinery for the Wire Rope Division, to cost almost £400,000, with the balance allocated to the Wire Division.

Prospects

The severe world wide recession in the demand for steel and steel products continues and there is still no sign of an upturn. However, I am confident that the Company will continue to obtain at least its share of the home market and will be able to stand up to competition in the export markets.

The annual general meeting will be held on 18th May, 1978. Copies of the full report can be obtained from The Secretary, Bruntons (Musselburgh) Ltd., Musselburgh EH21 7UG, Scotland.

BRUNTONS

COLD WORKED STEELS • Wire • Drawn Sections • Strip • STEEL WIRE ROPES

"NINTH successive advance in dividends"

reports Mr A S Wood, Chairman

Comparative results

1968 1969 1970 1971 1972 1973 1974 1975 1976 1977

£000 £000 £000 £000 £000 £000 £000 £000 £000 £000

Net earnings 369 480 508 613 641 668 803 833 1,169 910

Net total dividends 202 239 265 306 352 386 427 456 502 565

Dividends per share* 4.30p 5.08p 5.47p 6.25p 6.56p 7.09p 7.97p 8.77p 9.85p 10.61p

*Gross figures as adjusted for Scrip Issue in 1974

Profits

Bearing in mind the low demand for steel and steel products, it may not be considered satisfactory that the reduction in profit from manufacturing was only 6 per cent after excluding non-trading and non-recurring items.

The profit for the second half of the year would have been higher but the Steel Strip Division was badly affected in the final quarter by strikes at the works of three important customers.

Dividends

The second interim dividend of 3.9191p net per share will be paid on 28th April, 1978 making a total for the year of 7.004p net per share—the maximum permitted. The Board intends to pay an interim dividend of 3.0849p net per share, plus any permitted increase, on 31st October, 1978.

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Meanwhile, a decision on whether or not the bid should be referred to the Monopolies Commission is not now expected until next week.

APPROACH TO ST. KITTS

Plans for the voluntary liquidation of St. Kitts (London) Sugar Factory have been placed in "mothballs" following the announcement that the Board has received an approach which might lead to a cash bid being made.

The company is proposing to adjourn (for 21 days) to-day's AGM at which it had proposed to recommend the voluntary liquidation of the company. This decision followed the nationalisation of the company's principal asset, St. Kitts (Basse Terre) Sugar Factory in which it had a 50 per cent. share.

Shares of St. Kitts (London) were suspended yesterday at the request of the company.

The potential bidder has said that an offer would be conditional upon to-day's meeting to discuss the voluntary winding up of St. Kitts (Basse Terre) also being adjourned for 21 days. However, the AGMs for both St. Kitts (London) and St. Kitts (Basse Terre) will go ahead to-day as planned.

The attraction for a potential bidder is that St. Kitts (London) currently holds cash of around £100,000 as well as some overseas securities. In addition the company is due its share of compensation from the St. Kitts Government which will total £1m. although the eventual sum for distribution is likely to be considerably less.

HALMA IN FRANCE

Halma has purchased 76 per cent. of Serv SARL, a French company specialising in the manufacture and sale of safety devices, for £40,515 cash.

Serv's products are complementary to the safety devices produced by Castell Locks, an existing Halma subsidiary.

The acquisition is intended to strengthen Halma's position in the expanding French market for safety products and provide additional export opportunities for Castell Safety Interlocks. In 1977 sales from Serv amounted to some £77,000.

W. J. REYNOLDS

W. J. Reynolds Holdings would have sought more funds from shareholders if Oakstone had not made an agreed cash offer, says Mr. Roger Marsh, chairman of Reynolds in the formal offer document. Turnover has increased from £8m. to £15m. in the last three years and additional equity would have been required before the next stage of expansion.

The £15m. cash offer gives a p/e ratio of 11.17 on 1977 profits but Mr. Marsh says that management accounts for the first two months this year "show a significant increase over the comparable period last year."

A one-for-one scrip issue is proposed in order to reduce expenses.

ASSOCIATES DEAL

Between April 19 and 24, Greaves Group sold 31,019 Lonrho shares at 71p and 40,218 at 70p for discretionary clients.

ALLEBONE

Tandem Shoes, the footwear retailing subsidiary of Allebone & Sons has entered into leases on 12 retail shops previously operated by Direct Fashion Shoes (Leeds) and taken assignments of leases on a further nine retail shops previously occupied by the company.

These shops (which in 1977 had a turnover of £1.1m.) are all in the North of England and strengthen Tandem's coverage in the retail footwear trade in that area.

Cash consideration payable by Tandem is £71,000 plus stock at valuation.

SHARE STAKES

BFB Industries: Prudential Assurance now holds 5.24 per cent.

Gibbons Dudley: Mr. R. D. Turner, chairman, has held 150,000 shares from his beneficial holding. His interest is now 1,150,000 shares held beneficially and 688,626 shares held non-beneficially.

W. Williams and Sons Holdings:—Cliff Hotel (Gower), holding of 323,000 shares (13.6 per cent.) has purchased a further 4,600 shares.

Porter Chadburn:—ITC Pension Trust jointly with the ITC Pension Investments holding a total of 192,500 Ordinary shares represents an interest of the Imperial Group in the company amounting to 5.6 per cent.

Rawlins Mackintosh:—Trustees of the Joseph Rowntree Memorial Trust have disposed of 50,000 Ordinary shares. They are now interested in 3,923,000 Ordinary shares (9.09 per cent.). The company's chairman, Sir Donald Barron, is a trustee.

Marley:—J. E. Aisher has acquired 40,000 Ordinary shares beneficially and 40,000 non-beneficially.

Gedong Investments:—N. M. Rothschild Asset Management (CI) managers of Old Court Smaller Companies Fund, have advised Gedong that Old Court holds 80,750 (9.99 per cent.) shares.

John Menzies (Holdings):—Mr. J. M. Menzies, a director, has now ceased to have an interest in family trust amounting to 490,088 Ordinary shares. Mr. Menzies' interest in Ordinary shares is now as follows: personal, 1,655,782 and trustee, 1,209,230 making a total of 2,865,012 (20.72 per cent.).

BET Omnibus Services:—London and Manchester Assurance has acquired 2,000 10 per cent. cumulative preference shares making total 22,600 (11.3 per cent.).

McCleery L'Amie Group:—Crubn Investments, a company wholly owned by Mr. A. W. Fleming (director) has acquired a further 25,000 Ordinary shares at 11.5p. This brings total of Mr. Fleming's beneficial interest to 204,000 shares (1.6 per cent.).

W. H. Cullen:—Trustees of the W. H. Cullen Pension Fund have recently increased their holding of Ordinary shares to 170,050 (17 per cent.).

Hampton Gold Mining Areas:—W. I. Carr Sons and Company, on April 18, 1978, purchased on behalf of Amniss Trading, 470,000 shares (11.20 per cent.).

Wagon Finance Corporation:—Friends Provident Life now hold 2,479,166 Ordinary shares.

Jacksons Bourne End:—Downgrange have acquired a further 28,500 shares, bringing interest to 285,500 (26.88 per cent.).

THE MAJOR U.S. ASARCO have reported a satisfactory situation in the last quarter with a net loss of £11.13m. (£8.1m.), equal to 42 cents per share, following a total net loss of £29.5m. for 1977. Sales for the past quarter were \$242.8m.

Apart from low metal prices and production cutbacks, Asarco has been hit in the 1978 first quarter by the U.S. coal strike which lasted from December 1977 to March 27, 1978.

As already reported Bendis, the U.S. technology group with interests in the energy, motor, aerospace and electronic industries has recently raised its stake in Asarco to 16.2 per cent. by the purchase of a further \$5m. shares for \$87.4m. They were £13 in London yesterday.

Asarco still in the red

RTZ: so far no fresh Exxon proposals

BY KENNETH MARSTON, MINING EDITOR

SIR MARK TURNER, chairman of Rio Tinto-Zinc, confirmed yesterday that America's Exxon oil giant had considered the possibility of acquiring an interest in the U.K.-based international mining and industrial group, but had later abandoned that course in favour of participation in joint projects.

However, Sir Mark said that no specific proposals have been received from Exxon and added that RTZ is not interested in being acquired wholly or in part by any other concern. Meanwhile, the RTZ annual report states that so far as is known, no shareholder, either corporate or individual, has any beneficial interest exceeding 5 per cent in the share capital of the company.

Of the RTZ group's current exploration activities, the zinc mine at Australia's arm has a 50 per cent interest in the Ashton joint venture for diamonds in the Kimberley region of Western Australia. A number of diamond prospects have been discovered there and a processing plant for bulk sampling is being constructed.

CRA is also a member of a consortium which is developing large-scale copper deposits on Villu Island in Fiji while at Duzdud River, in Queensland, a good grade zinc deposit of some 100,000 tonnes of ore grading 10 to 12 per cent zinc has been indicated.

In eastern Tennessee, the RTZ group has added substantially to its shallow higher grade reserves of its fluorapatite deposits while at the Alaska molybdenum deposit a permit has been granted for an access road which will enable a full assessment of the property to be made.

In Indonesia the results of a drilling programme on another molybdenum deposit have been assessed and there is also to be a drilling programme at gold prospects in Kalimantan this year.

The group's stake in Coska Resources, which is developing reserves of oil and gas in Canada and the U.S. was increased last year and now amounts to 25 per cent, following an issue of shares on an acquisition by the latter.

As far as uranium exploration is concerned, results of an economic study of the Kimschicht prospect in Labrador are being examined and further consideration is being given to the possibilities of working this on a smaller scale than originally envisaged.

As already reported, RTZ raised its net profit last year by £1m. to £2.3m. despite the decline in copper prices. There was also a net charge of £40.4m. compared with a net credit in 1976 of £10.4m.—which reflected the strength of the £2 and the consequent fall in the sterling value of prior years' earnings retained by the overseas subsidiaries.

Of the major income sources, aluminium last year contributed £19.9m. of the past year's net profit followed by borax and chemicals £18m. from ore £16.1m. and gold £15m. lead and zinc £7.4m. and uranium £7.3m. In 1976, however, the top contributor with £18.3m. Main geographical sources in 1977 were Australia and New Zealand £30m., the U.K. £19.7m., Canada £11.1m., and the U.S. £1.3m.

Meanwhile, base-metal prices remain depressed and the anticipated sharp contraction in RTZ's iron ore earnings has been underlined by the sharply lower quarter results of Hamersley, thus, somewhat lower total earnings seem to be in store.

On this basis the share price, 207½ last night, could be under threat. But it would be responsive to any sustained improvement in the U.K. industrial equity market and it remains cushioned for the time being at least by the obvious interest in RTZ's longer-term prospects which has been shown by the powerful Exxon.

Marinduque's call for help

Marinduque Mining and Industrial Corporation, which produces practically all of the Philippines' nickel exports, faces default and possible liquidation if the Government does not rescue it from creditors.

"So far, we haven't gone into default," the chairman and president Mr. Jesus S. Cabarrus told stockholders at the annual meeting. "If our application for this (debt) restructuring is denied, definitely we will go into default."

He was optimistic, however, that the Government would accept his appeal to prepay much of the company's foreign debt and combine it with domestic debt in a new scheme of reorganisation which would allow a dividend to be paid to shareholders.

Mr. Cabarrus said that the company's foreign debt of \$12m. was due to be repaid in 1978. But the Government would accept his appeal to prepay much of the company's foreign debt and combine it with domestic debt in a new scheme of reorganisation which would allow a dividend to be paid to shareholders.

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Cadbury aims efforts behind major lines

IN HIS annual statement, Sir Adrian Cadbury, the chairman of Cadbury Schweppes says that the group aims to grow by concentrating marketing and technical effort behind its major brands, the benefits of which will enable better use to be made of limited resources of people, money and fixed assets.

In pursuit of these aims, the company has two main objectives over the next five years, he states. First, to build on its established position in the North American market and second, to improve the return on assets in the U.K.

One of the consequences of achieving these objectives will be to improve the company's financial position, Sir Adrian points out.

He reports that the acquisition of Peter Paul Inc. for \$10.55m. is geared to broaden the appeal of the company's confectionery lines and to obtain a greater share of what is still the largest and fastest growing single market in the world.

The increased marketing investment behind Schweppes drinks has also been a success, he says, forcing the high degree of recognition which has already been achieved.

A continuing investment in the marketing and distribution of both drinks and confectionery will, however, be required to establish the market share being aimed for throughout the region.

The level of marketing investment in 1977 was over £10m. higher than in 1976 and will be maintained this year, he adds.

The objective to improve return on assets is again based on concentration of effort behind the major lines and firm financial targets have been set over the period between now and 1982.

Sir Adrian, inevitably there has been an increase in the pattern of business, but the benefit will be a sound base for future growth.

In addition to the acquisition of Peter Paul, there is another £10m. of assets required in future years in the U.S. and the directors have decided to re-finance existing term borrowings of \$22m. The total requirement

of \$90m., \$68m. of which is loan capital, is being funded by a U.S. Dollar Loan.

The directors are budgeting for an increase in profits for 1978. Results will be assisted by a rise in consumer expenditure in the U.K. and by more stable raw material prices.

Against difficult trading conditions in 1977, pre-tax profit rose from \$46.4m. to \$48.2m. on sales up 12 per cent at \$884m.—as reported April 7. Exports advanced to \$69.1m. (£33.2m.).

The chairman states that continuing progress was made in strengthening the company's operating base and the directors continued to concentrate on the main stream of the business and on building for the future.

Closely controlled working capital resulted in reduced borrowings at the year end. In spite of increased sales and inflation, he says, short-term borrowings fell from \$39.2m. to \$22m.

A statement of source and application of funds shows working capital increased by £11.8m. (£44.9m.) at end-1977. Net liquid funds were up £20.2m. (down £13.2m.).

Turnover for 1977 of £1.05m. was controlled by Co-operative Bank, expanded from £32.09m. to £45.6m. and pre-tax profits rose from \$47.0m. to £11.5m. after lower interest charges of \$4.55m. compared with \$5.28m.

In October, reporting first half profits 26 per cent higher at \$40.0m., the directors said they expected further improvement in the full year result, despite pressure on margins.

After tax of \$516.0m. (£213.0m.) full year earnings are shown to be up from 4.2p to 8.5p per 25p share.

The continuous stationary plant near Bath is to be extended at a cost of £2.5m. As well, a new automated corrugator is being installed at its packaging plant in South Wales, its West German subsidiaries business is to be developed as its trading base in Singapore.

The investments will be financed partly from cash flow and partly from the £11.5m. raised last year through a rights issue, a Euro-bond issue and a bond placement in the U.S.

At year end, net current assets were up from £168.7m. to £235.6m. (£226.4m.). Overall there was a £47.8m. increase (£32.2m. decrease) in the £1.05m. of fixed assets, including £32.2m. (£31.1m.) raised from new capital.

A current cost statement shows the pre-tax profit of £17m. (£18m.), reduced to \$50m. (£51m.) by additional depreciation of £24m. (£23m.), and a cost of sales adjustment of £1m. (£1.6m.), offset by a £7m. (£12m.) gearing adjustment.

In the year the Earl of Carrick, a director, sold 70,000 shares, reducing his holding to 130,330 shares.

Meeting, Dorchester Hotel, W., on May 19 at 11.30 a.m.

Randall's near 38% increase

WITH OTHER income well ahead from \$0.85m. to £127m. and trading profits 17.7 per cent up at £0.73m., pre-tax profit of J. and L. Randall, toy and games group, jumped 37.7 per cent from £1.8m. to £2.48m. in 1977.

Directors say home trade in the sector has been severely affected by the record fourth quarter consumer savings in 1977, the cessation of retail ordering at the same time, and the exceptionally late Christmas spending.

Exports however were 65 per cent ahead and turnover for the year grew by 9.3 per cent to £21.8m.

In the current year home trade orders are well ahead of the same period in 1977. If the projections of a first year real increase in consumer spending materialise, the group will benefit from much improved trading conditions.

Exports are expected to be behind last year's record figures, but directors expect to recover the shortfall in coming months.

In 1977 rental income was £200,000, up £1.5m. net per 10p share, and the dividend of 1.515p compares with 1.515p last year. Shareholders accepting the Letras takeover offer will not be entitled to receive the dividend, but those accepting the share alternative will be entitled to a second interim dividend from Letras.

Earnings per share are 47.2 pence up at 10.3p net per 10p share, and the dividend of 1.515p compares with 1.515p last year. Shareholders accepting the Letras takeover offer will not be entitled to receive the dividend, but those accepting the share alternative will be entitled to a second interim dividend from Letras.

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Isolate it from these general influences. The company is a middle of the road manufacturer making shoes across the board for men, women and children. The shoes are not easy as trade barriers are erected against British shoe making all over the world. Nevertheless there are lots of things the company can do internally to at least improve its performance to somewhere near the budgeted norm, and these are being done, he goes on.

Mr. Metcalfe says, the taxable profit for 1977, was down from £257,373 to £220,265, but on a current-cost basis on the Hyde guidelines, the surplus was turned into an £82,000 after extra cost of sales of £285,000 and £22,000 additional depreciation less a gearing adjustment of £13,000.

Sales during the year advanced from £2.7m. to £14.4m. based largely on a much bigger order than usual for warm lined boots for the Soviet Union.

"We knew the problems we were facing when we took this £3m. order but the prices were satisfactory and one of our real hopes for future expansion must lie overseas. The difficulties involved in expanding production and training new personnel for the work were enormous and the home proved extremely costly—we

made about £130,000 less in gross profit margins than was budgeted for," Mr. Metcalfe says. Nevertheless, the group had a very efficient new production management unit going well in its Mansfield factory and a smaller unit in Norwich. In building up production figures the directors had to sacrifice a great deal of profitable home trade business.

"This was a commercial decision made in the reasonable expectation of continuing business which would then have been extremely profitable. In the event the Russian price offer for a new contract in 1978 was based initially on prices 10 per cent less than last year and while we made some progress in negotiations we were unable to meet their final prices and had to turn down the orders which were offered."

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Disposal boosts Textron

PROVIDENCE, April 25. NET income of Textron for the first quarter ended April 1 rose from \$28m. to \$39.5m., or from 15 cents per share to \$1.06. Sales were ahead from \$680.5m. to \$772.2m.

Commenting on the higher first quarter earnings, Textron said that this year's first quarter included \$6.2m. or 17 cents a share resulting from the sale of the capital stock of Security Insurance to Orion Capital Co. AP-DJ

Diversey snubs Molson

By Robert Gibbons

MONTREAL, April 25. THE AMERICAN specialty chemical producer, Diversey Corporation, has rejected the proposal from Canada's Molson companies to buy any or all of Diversey's outstanding stock it does not already own at \$US28 a share cash.

Diversey has told Molson that its directors have "unanimously concluded that the proposal is not in the best interest" of its stockholders and has filed suit in Cook County, Illinois, "to assure our stockholders will enjoy the protections afforded by state law."

Molson currently owns about 10 per cent of Diversey's outstanding stock, acquired mainly in the market recently. In Toronto, Molson had no immediate comment.

Upsurge at Quaker Oats

CHICAGO, April 25. QUAKER OATS' earnings for the third quarter ended March 31 were up about 35 per cent over the \$15.2m. or 70 cents a share in the year-ago quarter, says Mr. Robert D. Stuart, Jr., chairman and chief executive officer.

Quaker Oats expects a "substantial" increase in fourth quarter earnings and in fiscal 1978 the chairman expects the company will exceed last year's net income of \$67.6m. or \$3.01 a share. AP-DJ

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Leading oil companies maintain steady advance

BY STEWART FLEMING

MONTREAL, April 25. MODERATE increases in first quarter earnings have been reported by the majority of leading U.S. oil companies, including Shell Oil which recorded a near 5 per cent profit advance.

Standard Oil of Indiana's first quarter earnings are 3 per cent higher, Atlantic Richfield's 2.5 per cent, higher and Union Oil of California has reported a 3 per cent rise. The biggest increase was reported by Standard Oil of Ohio (Sohio), the British Petroleum affiliate in the U.S., which reported a 56 per cent earnings rise from \$18.7m. to \$28.3m. (75 cents a share against 48 cents a share).

Sohio's figures are nevertheless disappointing to some analysts, since the company was expected to report surging profits as a result of the flow of Alaskan oil. The U.S. coal strike is thought to have had some adverse impact on profits, along with the glut of oil on the West Coast of the U.S.

Predicting a 6 per cent rise in 1978 capital expenditures to some \$2.1bn. Shell Oil reports first quarter earnings of \$190m. (or \$1.31 a share) against \$184m. (or \$1.28 a share) on revenues of \$2.6bn. against \$2.5bn.

Standard Oil Co. (Indiana) reported first quarter earnings of \$1.72 per share against \$1.67. Net income was up from \$344.2m. to \$252.5m. on revenues ahead from \$3.4bn. to \$3.8bn.

Atlantic Richfield Co. reported first quarter earnings per share of \$1.23 against \$1.20. Net income was up from \$145.2m. to \$150.3m. on revenues ahead from \$2.77bn. to \$2.93bn. Results for 1977 have been restated to include the Union Oil Company of California reported per share earnings of \$1.76 fully diluted against \$1.71. Net income improved from \$77m. to \$79.3m. on revenues unchanged at \$1.46bn.

Going against the trend however, Gulf Oil Corporation blames a drop in income due to "our exploration and production operations." Gulf's net was down to \$155m. (or 70 cents a share) from \$160m. (or 83 cents) in the year-ago first quarter. Revenues rose to \$4.88bn from \$4.85bn. Agencies

Firestone closure plan attacked

GENEVA, April 25.

A TRADE UNION statement has charged that plans to close various Firestone Tire plants in the U.S., Canada and Switzerland are part of an overall strategy to shift production to east-west ventures in low-wage Communist countries.

The statement claimed that the Akron, Ohio, manufacturer had invested large funds in the joint ventures to prepare for the sale in the West of tires "which are produced at very low labour costs and in the absence of legitimate, real unions."

The accusation was made in an appeal circulated by the Geneva-based International Federation of Chemical and General Workers Unions after Firestone announced planned shutdowns of plants in Akron in the U.S., Calgary in Canada, and Pratteln in Switzerland.

There was no immediate reaction from Firestone headquarters which had cited a need for "increased production efficiencies" as a reason for its move that caused bitter reactions in Switzerland where 600 workers will have to be laid off.

A Firestone Switzerland executive said there was "no intention" by the subsidiary to import East European tyres to Switzerland. But he referred to headquarters for more detailed comment.

The company has said its unprofitable operation in Switzerland was partly due to the dramatic increase in the value of the Swiss franc. This, it said, was pricing Swiss-produced tyres out of markets.

The federation dismissed this argument as "pure propaganda."

Fact was, it said, that Firestone as well as other, unidentified the Soviet Union from where the production is being redirected to Western markets.

Signed by Mr. Charles Levinson, Canadian secretary general, the statement called for international solidarity by affiliates of the federation, which organises linkages between organised rubber workers throughout the non-Communist world.

Solidarity measures would include stoppage of excess overtime working and the prevention of transfer of production. The appeal was originally meant to be circulated internally, according to federation officials, but the Swiss affiliate in Basle released excerpts to the Press. Agencies

Bethlehem Steel back in the black

NEW YORK, April 25.

BETHLEHEM STEEL Corporation reported net earnings for the first quarter of 2 cents a share against a loss of 58 cents in the comparable period.

Total net earnings were \$1.1m. against the \$55.2m. loss last time. Sales of \$1.38bn. compare with \$1.27bn.

Bethlehem said pre-tax income for the first quarter was reduced by an estimated \$30m. as a result of the coal strike and the harsh winter which "affected most of our steel-making operations." But the company said these factors were partially offset by a reduction of approximately \$25m. in the cost of sales due to liquidations of Life Inventory which is not expected to be replaced by year end.

Agencies

Sales rising at Deere

MOLINE, April 25.

FARMING equipment manufacturer Deere sees a gain of 16 per cent in sales in the first half of the year, the chairman Mr. William A. Hewitt told the annual meeting. Last year's sales totalled \$1.62bn.

He did not estimate earnings but said the cost-price pressures and changes in world currency relationships which resulted in moderately lower profit margins in the first quarter are continuing to affect operations.

For the first quarter ended January 31, Deere earned 86 cents a share, up from 67 cents a year earlier.

Mr. Hewitt said that Deere is in the midst of its spring selling season for farm machinery and is encouraged by the level of retail sales especially in the U.S. Agencies

White Weld unit 'in loss position' before takeover

BY DAVID LASCELLES

NEW YORK, April 25.

WHITE WELD and Company, the securities firm owned by White Weld Holdings which was recently acquired by Merrill Lynch in the latest round of Wall Street mergers, had begun to make large losses in the months before the takeover, the Wall Street Journal reports today.

Quoting what it describes as copies of confidential White Weld reports outlining the company's operations over several years, the Journal says the firm had a net loss of \$2.1m. in the first quarter of 1978 and a net loss of \$4m. for the last nine months before it was taken over on April 14.

Merrill Lynch would not comment on the Journal's figures today, but the company emphasised that it had acquired White Weld Holdings, which was described as "profitable," and not just White Weld and Company. The company did, however, imply that White Weld and Company might have been in difficulty by adding that the Journal report should be seen in the context of the fact that the securities industry as a whole had been going through a difficult period.

But unlike many well publicised cases, White Weld was a private company and not therefore obliged to reveal its financial position. At the time of the takeover, both White Weld and Merrill Lynch said that the company had operated profitably up to June 1977, the end of the last fiscal year.

This claim is borne out by the figures quoted by the Journal. But White Weld and Company's position clearly changed sharply in the second half of last year.

During the nine months ending on March 31, 1978, gross income fell to \$71.5m. some 9 per cent below the figure for the comparable period a year earlier. This was due to a drop in income from trading and arbitrage, and from agency commission. At the same time the cost of wages and salaries rose 12 per cent, to about \$31m.

Overall losses in January year were \$872,000, rising to \$1.9m. in February. Although the company managed to post a profit of \$897,000 in March, net loss for the quarter was \$2.1m.

However, other figures quoted by the Journal do indicate the parent company, White Weld Holdings, was operating a profit, albeit a declining one. During the six months ending December 31, 1977, the company earned \$1.6m., somewhat below its record \$4.8m. earnings in the same period the year before.

These earnings were mainly in profits from Cr Suisse White Weld, its European arm, from Foreign currency translation gains, and from estimated recovery of Federal income-tax. However, the 100 per cent subsidiary was unable to produce figures for the parent company's financial position during the first six months of 1978, when White Weld and Co., began to show losses.

IBM to expand capacity

DENVER, April 25.

INTERNATIONAL BUSINESS Machines Corporation is expanding its worldwide manufacturing capacity to meet record product demand, the chairman, Mr. Frank Cary told the annual meeting.

Mr. Cary said IBM currently has the largest order backlog in its history.

In 1978 IBM's manufacturing plants around the world will make 60 per cent more computer systems, both large and small, 80 per cent more terminals, and 200 per cent more office systems.

High demand for IBM products beyond 1978 was also predicted by Mr. Cary.

One reason for this, he said, "penetration of IBM products in worldwide markets is only in early stages."

He criticised the U.S. Government for delaying the company's chance to present its defence of the nine-year-old anti-trust suit against IBM.

EUROBONDS

MacDonald Hamburger plans \$ issue

BY MARY CAMPBELL

PRICES of D-Mark denominated bonds fell sharply again yesterday. The dollar sector continued to be pulled in two directions with expectations of an improvement in the currency situation being offset by fears of rising interest rates.

Several new dollar denominated issues are in the offing, including one for MacDonald Hamburger. Two issues have been announced, \$50m. for the Province of Newfoundland and a \$30m. floating rate note for the Polish foreign trade bank, Bank Handlowy. Other issues in the market include a \$50m. three-year note for Istituto per lo Sviluppo Economico dell'Italia Meridionale (Isvemer) which is 88 1/8 per cent of the face value charged from indications.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

GERMAN NEWS

Volkswagen optimistic for 1978

By Guy Hawtin

VOLKSWAGEN, bolstered by a full order book, is hoping that this year will equal 1977's excellent performance. But, although the tone of its report is optimistic, it is as yet hard to determine the effect that yesterday's 5.9 per cent. pay increase awarded to its West German labour force will have on 1978's profits.

Last year's net group profits totalled DM149m. (\$201.5m.) which was a hefty decline on 1976's DM1,004m. But, as Herr Toni Schmücker, VW's chief executive, pointed out, the 1977 profits had been boosted by the write-off of potential of the previous two years' losses. These amounted to some DM907m. for 1974 and DM157m. for 1975.

Furthermore, West Germany's corporation tax reform has increased the state's bite in corporate earnings throughout the Federal Republic. Shareholders who pay West German taxes will

be considerably better off, however, as they are allowed to offset corporation tax paid on their dividend against personal taxes.

The group has gone into 1978 with a bulging order book. Earnings last year benefited considerably from the improvement in capacity utilisation at the group's plants, said Herr Schmücker.

This year the group's worldwide deliveries to customers in the first three months totalled 556,000 vehicles—some 1 per cent. fewer than in the comparable period of 1977. In West Germany, they were down 5.9 per cent. to 214,900 units. Deliveries in the U.S., where VW's assembly plant has just started up, rose by 4.7 per cent. to 65,500 units, and in Brazil they surged by 100 per cent. to 109,200 units.

Herr Schmücker said that the decline in deliveries in West Germany stemmed purely from the group's inability to keep production in pace with demand. It certainly did not reflect any weakening of the market. Dur-

ing the first quarter of 1978, VW's share of the domestic car market was, according to the group's own reckoning, about 30 per cent.

The improvement in deliveries in the U.S. market was relatively low compared with the figures for the previous year. Although the group was pleased that the Westmoreland, Pennsylvania, assembly works had come on stream, the group's models on sale in the market would still be affected by the course of the dollar on the foreign exchanges. The weak state of the dollar meant that price rises in the market would be unavoidable because Westmoreland was dependent on deliveries from West Germany and VW works in other countries.

Production operations in Brazil and Mexico had shown some improvement, although the Brazilian increase in deliveries had to be viewed against the low level of sales in 1977. In Mexico there had been a noticeable rise in

FRANKFURT, April 25.

Shareholders will receive a dividend of DM7 plus a DM1 bonus, per DM50 nominal share for 1977.

The group, whose turnover last year increased to DM24.2bn. (\$31.64bn.), saw production last year increase by 2.5 per cent. worldwide to 2,218,900 units. Whether it was possible for it to equal the 1977 performance was difficult to determine, said Herr Schmücker. The group, however, thought it stood "a fair chance" of doing so.

The Volkswagen rights issue, which will bring the group's nominal capital up from the current DM900m. to DM1.2bn.—it is being offered at a ratio of one to three and a price of DM150 per DM100 nominal share—would mean that the dividend would have been paid on a greatly increased capital base. Earnings, however, were expected to be sufficient to allow the dividend to be maintained.

Two-thirds profit rise from Moët Hennessy

By David White

PARIS, April 25.

CHAMPAGNE, cognac and perfume group Moët-Hennessy increased sales by about 16 per cent. last year and raised consolidated net profit by about two-thirds—

from Frs.40.1m. to Frs.65.6m. (\$14.1m.). Group sales rose to Frs.1.54bn. (\$328m.) from Frs.1.31bn., and gross operating profits almost doubled to Frs.162.6m.

The parent company, which is changing its business year from July-June to January-December to fit in with the operating subsidiaries, showed a Frs.8.7m. net profit in the latter half of 1977. The company said that because of the change in accounting dates this was not comparable with the Frs.31.6m. earned in the previous year.

Moët-Hennessy recommends the same dividend—a gross Frs.12.60 including tax benefit—for the six months as it paid for the previous full financial year.

The results confirm the return of good times for the champagne industry, where Moët-Hennessy leads the field with its Moët-Chandon and Meridier brands. Following the pattern of other "Grandes Marques", the company registered an increase of over 20 per cent. in its champagne sales, which brought in Frs.171m. last year.

Net profits from champagne doubled from Frs.13.4m. to Frs.27.6m., despite a Frs.6m. loss at its Californian operations, larger than the previous year's, which the company said was due to start-up costs.

The Hennessy cognac label did just well. Although sales rose to Frs.336.3m., net profit in this sector was down to Frs.16.9m. from Frs.19.1m.

The group's cosmetic operations, headed by Christian Dior perfumes, have expanded this year by securing a Frs.41.9m. net profit from Frs.34.3m. operating profit doubled to Frs.67m. from Frs.33m. and net earnings likewise to Frs.28.7m. from Frs.13.8m.

Moët-Hennessy increased its interest in this sector earlier this year by securing a controlling interest in the Reo cosmetic group.

SWEDISH MATCH REVIVAL

BY WILLIAM DUFFLOR, NORDIC CORRESPONDENT

WHEN SWEDISH Match sold its 29 per cent. holding in Wilkinson Match to Allegheny Ludlum last December, the main effect in London was to spark off controversy over the future control of the British company. In Stockholm the sale was seen as one of several moves in the revival of the Swedish multinational under its new managing director, Mr. Gunnar Dahlsten.

The 1977 shareholders' report—a remarkably open and informative document—offers evidence of the vigour with which this reorganisation has been pushed through following the Board's success last year in shuffling off a takeover bid from KemaNobel.

Swedish Match's holding in Wilkinson Match had become, in Mr. Dahlsten's book, "an idle asset" or a "portfolio investment", which becomes effective when the company's reorganisation into product groups is complete, stretching across national boundaries with a devolution in management responsibility.

The group's strengths and weaknesses are neatly diagnosed in the shareholders' report, which distinguishes between those companies that made operating profits of Frs.280m. (\$60m.) in 1977, and those that returned a loss of Frs.150m. on Frs.1.5bn. capital.

Mr. Dahlsten's treatment is a bold statement of financial objectives. The expansion through the purchase of foreign companies, which took place earlier this decade, coupled with the poor performance of the last two years, has reduced group solvency to "an unacceptably low level".

The group's ratio of equity to debt was 30 per cent. at the end of 1977. It would have been around 25 per cent. without the sale of the holdings in Wilkinson and the Gullspang Power Com-

pany. To reach a solvency ratio of 35 per cent.—a group target—within five years, Mr. Dahlsten estimates that the group will need an average annual return on total capital of 10 per cent.

He also wants to speed up the turnover of working capital to five times a year, which would imply at the current sales level

an ambitious reduction of Kr.400m. (\$87m.) in working capital. The liquidity target is set at 10 per cent. of sales. The transactions made during 1977 increased group liquid assets by Kr.58m. to Kr.371m., corresponding to 13 per cent. of sales.

Last year Swedish Match turned in almost unchanged and very much improved earnings structure after cost-cutting depreciation of Frs.5.04bn. (\$1,080m.). But the paid account is dominated by the extraordinary items, which transform the pre-tax figure into Kr.36m. These items include an income of Kr.282m. from the sale of the Wilkinson and Gullspang shares and Kr.373m. in costs.

Among the extraordinary costs, Swedish Match lists Kr.94m. from the effect of the Krona devaluation. The restructuring of the West German Kuebel factories and the machinery companies took Kr.52m., and there were write-offs of Kr.80m. in losses on the building materials marketing two new lighter involvement and Kr.51m. on the Philippine sawmill project, which agreements with several foreign companies.

More restructuring costs are expected in the board machinery companies and in West Germany and French operations this year, but Mr. Dahlsten anticipates that the net result will be "considerably better". He forecasts a "somewhat better" operating result in 1978.

Some volume sales, which could be achieved and the investment policy should be about an improvement in financial costs. But judgement, Mr. Dahlsten's strategic plan, will probably have to wait until 1979.

Two features stand out in the organisational changes. They are the incorporation within building components division, which has been largely foreign owned, and the integration of the lighter match divisions.

The new international building components division will have sales of around Kr.2bn. compared with Kr.800m. under the previous structure. The new match division has been right through the recession, contributing Kr.94m. of the total Kr.129m. operating profit.

The group lost Kr.23m. of lighter last year and still has a claw back substantial element costs, so that the integration of the lighter and machinery companies is an interest experiment.

In 1970, Swedish Match had some 60 per cent. of the disposable lighter market, having refused to get in the price-cutting battle with Gillette and the Japanese. The company has recently marketed two new lighter models around 25 per cent. without the sale of the holdings in Wilkinson and the Gullspang Power Com-

West LB sees upturn in credit business

By OUR OWN CORRESPONDENT

WESTDEUTSCHE Landesbank (West LB), West Germany's third largest bank, is taking an optimistic view of 1978. Dr. Johannes Voelting, the chief executive, said today that operating profits should at least equal those of 1977 and could well overtake them.

The bank, he said, was expecting a distinct improvement in credit business this year. Demand for long-term industrial credit was already considerably stronger than in the opening months of 1977, particularly for construction projects. As a result, interest margins were expected to improve.

Dr. Voelting was at pains to

demonstrate that he was firmly in the driving seat. He succeeded to the chairmanship of the executive board after the departure of Herr Ludwig Poullain, the former chief executive, late last year.

He said that the bank's "structural" overseas growth had been completed with the opening of its Tokyo and Hong Kong operations. This, however, did not mean that it was putting the brakes on its overseas activities.

West LB's foreign business, he said, was an important source of profits. Last year it accounted for some 21 per cent. of the concern's business, yet returned an

"over-proportional" 30 per cent. of West LB's profits.

Dr. Walter Seip, deputy chief executive and head of the bank's foreign operations, said that in the past the expansion of the bank's overseas business had been rapid because it started at a very low level. It was natural that now it had reached a substantial level that the rate of growth would slow down.

Last year the bank's pretax earnings went up by 6.6 per cent. from 1976's DM284m. to DM303m. (some \$77m.), while the group's balance sheet total increased from some DM75bn. to DM82.71bn. (\$39.78bn.). Earnings after tax were up DM11m. to DM174m.

FRANKFURT, April 25.

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Maltese bank downturn

By Godfrey Grima

PRE TAX profit of the Bank of Valletta dropped to just over £1m. from £1.1m. in 1977 "due to the impossibility of repeating the exceptional gains made in 1976".

In his annual address to shareholders chairman Dr. Joseph Agius reported that this caused taxed profits of the Maltese bank to drop to £500,000. However, the bank's operational profits, excluding earnings on foreign assets—at £1m. were higher than the 1976 figure of £700,000. Reserves had "again been strengthened".

Daimler-Fiat link frowned on by Cartel Office

By LESLIE COLT

BERLIN, April 25.

THE FEDERAL Cartel Office views the proposed co-operation between Daimler-Benz and Fiat to produce automatic truck transmissions as "very problematic", according to the agency of the West German Economics Ministry in West Berlin.

The co-operation venture, which has been put forward in a letter of intent is currently under scrutiny by the EEC-cartel authorities in Brussels to see whether it conforms with European Community law.

BERLIN, April 25.

preliminary examination has shown that such co-operation proposed by Daimler and Iveco Vehicle of Amsterdam, which is 80 per cent. owned by Fiat, would influence competitive conditions in West Germany, where together they have a four-fifths share of the truck market.

The Cartel Office would regard this as "not unobjectionable, from the standpoint of merger control law," but the Berlin office would prefer to let Brussels first reach a decision.

VNU expands overseas

By Charles Batchelor

AMSTERDAM, April 25.

VNU, the largest Dutch publishing company, will concentrate its expansion plans on countries outside Holland and Belgium where the opportunities for large-scale growth are "limited".

It has established some of its assets in a finance company, VNU Finance, on the Netherlands Antilles so that its liquidity is in the "most appropriate form" to take new initiatives.

LEGAL NOTICE

In the HIGH COURT OF JUSTICE

Chancery Division Companies Court

In the Matter of

No. 001178 of 1978

A. B. THOMPSON LTD

ARLU (FASHION SPECIALISTS)

No. 001178 of 1978

KENROY DEMOLITION CONTRACTORS

No. 001178 of 1978

MANDEVILLE OF LONDON LIMITED

No. 001178 of 1978

PALLAS DRESSES LIMITED

No. 001178 of 1978

YARLEIGH LTD

No. 001178 of 1978

FOR GOODNESS SAKE LIMITED

No. 001178 of 1978

DOCTORS FINANCIAL ADVISORS

LIMITED

and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that

petitions for the winding up of the above-named Companies by the High Court of Justice were, on the 17th day of April 1978, presented to the said Court by the

Competition of Customs and Excise of King's Bench Division, 30-31 Mark Lane, London EC3R 7BE, and that the said

Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, on the 13th day of May 1978, at 10.30 a.m., and any creditor or contributory of any of the said Companies desiring to oppose or contribute to any of the said Petitions must appear at the time of hearing in person or by his

Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to the creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAR,


King's Bench Division, 30-31 Mark Lane, London EC3R 7BE.

Solicitor for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said

Petitions must serve on, or send by post to, the above-named solicitor in writing or by his introduction to do so. The notice must state the name and address of the person, or if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor, (if any) and must be served in sufficient time to reach the above-named solicitor at 4 o'clock in the afternoon of the 12th day of May 1978.

APPOINTMENTS



Group Financial Controller

£10,000+pa

Hooveringham Group Limited, a progressive, diversified group organised into self-contained profit accountable companies, wishes to appoint a Group Financial Controller who will report directly to the Group Chairman and Chief Executive. The main duties are:

- Corporate and Financial Planning
- Management of Finance
- Control of Accounting and Data Processing Departments

Applications are invited from mature accountants aged 35-45, preferably with both FCA and FMA qualifications, with a sound professional background, currently holding a senior executive position in industry, and depth of experience in the duties outlined above. Knowledge of overseas operating and a foreign language would be of advantage.

The appointment, based at the pleasantly situated Group's Head Office in Hooveringham, will involve limited travelling within the UK and occasional foreign visits. Salary is negotiable, but it is unlikely that anyone earning less than £10,000 p.a. will possess the required experience for this key appointment. A company car and excellent senior executive benefits will be provided.

Please apply, stating how you meet the specified requirements, to:

HOVERINGHAM GROUP LIMITED
HOVERINGHAM Nottingham NG14 7JY.

BUCKLESSUREY FUND S.A.

Société Anonyme

Headoffice: Luxembourg, 3, rue Notre-Dame

Trade Register: Luxembourg 88.360

Messrs. Shareholders are hereby convened to attend the Statutory

General Meeting which will be held on May 10th, 1978 at 2.30 p.m. at

45, Boulevard Royal, Luxembourg, with the following agenda:

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory

Auditors

2. Approval of the financial statements for the year ended 31st December,

1977

3. Approval of appropriation to legal reserve for the year ended 31st

December 1977

4. Payment of a dividend

5. Discharge of Directors and of the Statutory Auditors in respect of the

carrying out of their duties for the year ended 31st December, 1977

6. Receipt of and action on nomination for election of Directors and the

Statutory Auditors for the fiscal year commencing 1st January, 1978

7. Resolution on business as may properly come before the meeting.

Shareholders are advised that there is no quorum requirement in order

for valid decisions to be taken.

Folders of bearer shares must deposit their share certificates with any

bank or with Kreditanstalt S.A. Luxembourg and inform the latter of this deposit.

The Board of Directors

FLEMING JAPAN FUND S.A.

Société Anonyme

Headoffice: Luxembourg, 3, rue Notre-Dame

Trade Register: Luxembourg 88.362

Messrs. Shareholders are hereby convened to attend the Statutory

General Meeting which will be held on May 10th, 1978 at 3.30 p.m. at

45, Boulevard Royal, Luxembourg, with the following agenda:

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory

Auditors

2. Approval of the financial statements for the year ended 31st Decem-

ber, 1977

3. Payment of a dividend

4. Discharge of Directors and of the Statutory Auditors in respect of the

carrying out of their duties for the year ended 31st December, 1977

5. Receipt of and action on nomination for election of Directors and the

Statutory Auditors for the fiscal year commencing 1st January, 1978

6. Resolution on business as may properly come before the Meeting.

Shareholders are advised that there is no quorum requirement in order

for valid decisions to be taken.

Folders of bearer shares must deposit their share certificates with any

bank or with Kreditanstalt S.A. Luxembourg and inform the latter of this deposit.

The Board of Directors

THE RIO TINTO-ZINC CORPORATION

LIMITED

NOTICE IS HEREBY GIVEN that the

Annual General Meeting of the Rio Tinto-Zinc Corporation Limited will be

held at the Corporation's Head Office, 55, Broad Street, London W1C 2DQ, on

Wednesday, May 24, 1978, at 11.00 a.m. The business to be transacted at the

Meeting will be as follows:

1. To consider the Company's accounts and the reports of the directors and auditors for the year ended 31st December 1977

2. To declare a dividend on the ordinary shares

3. To re-appoint the directors

4. To authorise the directors to do all such acts and things as they may think fit to do in connection with the business of the Company

5. To consider any business which may come before the Meeting

6. To consider any business which may come before the Meeting

7. To consider any business which may come before the Meeting

8. To consider any business which may come before the Meeting

9. To consider any business which may come before the Meeting

10. To consider any business which may come before the Meeting

11. To consider any business which may come before the Meeting

12. To consider any business which may come before the Meeting

13. To consider any business which may come before the Meeting

14. To consider any business which may come before the Meeting

15. To consider any business which may come before the Meeting

16. To consider any business which may come before the Meeting

FINANCIAL AND COMPANY NEWS

JAPANESE CAPITAL MARKETS

Flood of foreign money continues

TOKYO, April 25.

FOREIGNERS bought a record amount of Japanese bonds in the week ended March 31 but continued as net sellers of stocks, the second year in a row, Finance Ministry said.

Net purchases of bonds including short-term government bonds, totalled an all-time high of \$5.06bn. in the fiscal year ended March 31, up sharply from \$1.75bn. a year earlier.

The flood of foreign money for Japanese securities as the government in March to sell sales of bonds with less than five years one month maturity remaining to foreigners. The Bank of Japan cut off foreigners from short-term government bond sales.

For March alone—as expected—net bond purchases by foreigners soared to a record

cut-off date, from the previous high set in February of \$1.233bn. Net sales of stocks, on the other hand, increased to \$1.123bn., the second year in a row of net selling by foreigners following sales of \$233.855m. in fiscal 1976.

This brought overall net purchases of Japanese securities to a record \$3.9bn. compared with \$1.52bn. a year earlier.

1 March, foreigners were net sellers of stocks by \$50.535m. narrower than net sales in February of \$100.444m.

The World Bank and the Brazilian government plan to buy yen-denominated bonds via Nomura Securities totalling 105bn. (about \$480m.) on the Japanese capital market in July, Finance Ministry sources said.

The total will comprise ¥75bn. (\$330m.) for the World Bank and ¥30bn. (\$130m.) for Brazil they said.

The ¥75bn. World Bank bond will be the ninth and largest ever on the Japanese capital market, topping ¥50bn. bond last December, they said.

Plans for June include issues by Banque Paribas du Commerce Extérieur for ¥30bn., the Industrial Development Bank of Finland for ¥5bn., and ¥30bn. Mexican issue and one of ¥10bn. by the City of Stockholm.

The sources said that other foreign borrowers which may want to float yen bonds in Japan in August or later include Denmark, the Province of Ontario, the French electricity corporation EDF, and Sears Roebuck.

The sources added, however, that Enel Nationale Per L'Energia Elettrica (ENEL) of Italy has postponed a ¥30bn. issue originally planned for June.

He argues that the Government should base the terms of its national bond issue on market forces by introducing a competitive tender system to replace the present system of allocation largely at pre-fixed prices.

Japanese banks should be allowed to introduce compound interest bank deposits for the public and issue certificates of deposit for corporations and institutional investors who have surplus funds.

Sixty-day Government bonds and CDs would thus become leading forces in liberalising the short-term capital market in Japan, he said.

Takaji Matsuzawa, newly-

United Bank of India downturn

By P. C. Mahanti

CALCUTTA, April 25.

LINE with the trend of commercial banking results, the United Bank of India, a major public sector bank, has announced a fall in published profits to Rs.9.7m. from Rs.10.4m. in 1976. A rise of Rs.140.84m. in some was more than offset by increased expenses.

The bank's deposits and advances have made handsome gains, the former rising from Rs.38bn. to Rs.7.8bn., and the latter from Rs.4.7bn. to Rs.5.1bn. This represents an increase of 11 per cent in deposits, and 9.6 per cent in advances.

The increased expenditure is largely the result of an uncontrolled branch expansion in rural and semi-rural areas and a substantial increase of 20.6 per cent in advances to the priority sectors at interest rates well below standard level. Some 60 per cent of the branches of the bank are in the rural areas, and many of them are of doubtful viability.

According to a review of the general trends in Indian commercial banking activity issued by the chairman and managing director of the United Bank, S. J. B. there was a slower growth of bank advances in 1977 because of the policy of credit control followed by the authorities. Scheduled commercial bank advances increased by only 5 per cent, compared with 33.8 per cent the previous year. The growth rate in deposits was also lower, falling to 17.7 per cent, from one of 28.9 per cent. The total volume of deposits with commercial banks rose to Rs.207bn., from Rs.176bn. the previous year.

The outlook for this year is encouraging, Mr. Niyogi says, because of the lowering of interest rates at the instance of the Government, while costs have been rising steadily.

Cautious view at Union Steel

By Our Own Correspondent

NION STEEL, the quoted steel producer controlled by Icor, sees a continuation of the recessionary conditions in its markets.

Dr. M. D. Morais, the chairman, himself a quoted economist, states that the recovery is not as imminent as economists predict. He goes on to say that the economic state will continue and at this stage little remedial action can be effective.

Union Steel is barely profitable at this stage of the recession. It managed to produce only Rm. 1.6m. pre-tax profit on turnover of 126m. compared with Rm. 1.1m. of turnover in the previous year.

As a result, capital expenditure programmes have been reviewed and the emphasis shifted to conserving cash flows. Although the group is expected to remain marginally profitable through the current year, in no area of its operations ferrous or non-ferrous, demand expected to be buoyant.

Fibres project comes closer

BY WONG SULONG

A MAJOR pulp and rayon project in Malaysia has been brought closer to realisation, following the approval by the Sabah State Government of the allocation of 300,000 acres to an Indian-Malaysian company for the project which involves capital expenditure of \$US270m.

The project was proposed in 1974 by Fibres and Chemicals Malaysia Berhad, to the Pabang State Government, but the company's application for 150,000 acres of land for the planting of softwood trees was rejected. A similar application was also rejected by the Johore State Government, ostensibly on the grounds that the State needed the land for its own agricultural schemes.

Fibres and Chemicals Malaysia was set up as a joint venture by the Birla Group of India, and Malaysian interests led by Tun Tan Siew Sin, chairman of Sime Darby Holdings, and former Malaysian Finance Minister. Confirming that approval of the land allocation had been given by the Sabah Government, Tun Tan said, a Canadian company has now been commissioned to carry out a survey on the feasibility of the project. He said that Birla had made a favour-

able survey of the venture, but that changed circumstances required the new survey.

Tun Tan said that if the project gets under way, it would involve capital expenditure of 630m. ringgits (\$US270m.), and would be the biggest agro-based industrial venture in Malaysia. It would be an integrated project involving the planting of softwoods or bamboo, caustic soda plant, power and steam generation works and paper mills.

The Birla survey envisaged facilities for the manufacture of 104,000 metric tons of paper a year, including writing and printing paper, coated stock kraft and wrapping paper, and 10,000 tons of high quality rayon. About 70,000 tons of the paper could be sold in Malaysia, with most of the balance going to other Asian countries. Half the rayon could be sold in Malaysia, while the rest could find markets in Australia and Iran. As part of the deal, the Sabah Government wants to hold 30 per cent of the equity. Birla would probably hold between 25 and 30 per cent, while the rest would be shared out by Malaysian interest including Malay financial institutions.

KUALA LUMPUR, April 25.

Tun Tan said that several international banks had shown interest in the project, and had expressed willingness to finance the venture. As it is an agro-based venture in a less developed state, the project could be entitled to an attractive range of incentives, including tax exemption for ten years.

Goodyear expansion

GOODYEAR MALAYSIA, a joint venture between Goodyear of the U.S. and the Government-run National Trading Corporation (Pernas) has embarked on a \$US14m. expansion programme to boost its tyre and rubber goods production, the company's chairman, Tunku Shahrman Sulaiman, said at the company's annual meeting.

The expansion programme includes adding building and machinery valued at \$US9.44m., he said. This will make Goodyear the largest American manufacturing company in Malaysia. The company started production here in 1974.

Due to be completed in two years, the expansion will boost production of rubber goods to 14.8m. kilos a year from the current 8.5m. kilos annually.

Bigger share of market for Carlsberg

BY OUR OWN CORRESPONDENT

CARLSBERG BERHAD is looking forward to a period of "interesting business" and development possibilities ahead, following its success of carving for itself a solid share of the growing Malaysian and Singapore beer market, says the company's annual report.

Following the withdrawal of Guinness Berhad "Golden" beer, Carlsberg now holds 3.8m. Ringgit second-bottling shares with Singapore-Incor-line is operational at the end of ported Malaysian Breweries, the

entire Malaysian and Singapore beer market. Carlsberg alone last year, summed about 165m. Ringgits of beer, and this market is growing at 15 per cent annually. Carlsberg, which set up a brewery outside Kuala Lumpur in 1971, has captured 30 per cent of the market, and is poised to win an even bigger share when its new 3.8m. Ringgit second-bottling shares with Singapore-Incor-line is operational at the end of this year.

KUALA LUMPUR, April 25.

For last year, the company's profit grew up by 26 per cent to 8m. Ringgits (\$US2.5m.), while sales were up by 25 per cent to 46m. Ringgits (\$US19m.).

The company says its sales in west Malaysia had been particularly gratifying, its exports to Singapore were satisfactory, but sales in east Malaysia were down because of additional duty and sales tax.

As a reflection of the company's confidence in its future prospects, it is paying out a final dividend of 15 per cent, making a total dividend of 25 per cent for 1977, compared with the maiden dividend of 10 per cent in 1976.

IBM advance in Australia

BY JAMES FORTH

SYDNEY, April 25.

IBM AUSTRALIA, offshoot of the U.S. computer group, more than doubled earnings in 1977 from \$A7.7m. to \$A16.5m. (\$US18.6m.). The directors said that 1977 was a year in which the group recorded record levels of installation.

Profits increased at a greater rate because of a higher level of purchase of DP equipment, as well as efforts by IBM to utilise its resources more efficiently. The directors said that it should

be noted that purchases of DP equipment tended to fluctuate from year to year, making it difficult to compare annual results.

IBM Australia's shares are not listed on the exchanges but the company has issued debentures to the public. During the year a \$A18m. stock dividend was made. The cash dividend was increased from 60 cents to 62 cents a share on the higher capital resulting in the payment to the U.S. parent jumping from \$A4.5m. to \$A9.3m.

NZ food group margins widen

BY DAI HAYWARD

WELLINGTON, April 25.

WATTIE INDUSTRIES, the New Zealand based food group whose products appear on supermarket shelves in Britain and around the world, increased its profit rate, despite a disappointing slowdown in sales. For every dollar of sales last year, it made 4.75 cents profit, compared with 4.2 cents the previous year. Total profit was \$NZ25m., up from \$NZ25.5m. on a turnover of \$NZ139.6m.

The \$NZ25m. increase in sales was below expectations and re-

flects the weakening demand in the company's worldwide market. Last year, the company issued specified preference shares to the value of \$NZ25.725m. This was backed up by an overseas loan facility of \$US5m.

As part of its extensive export drive the company has secured major successes for shipping New Zealand ice cream to overseas markets. The Middle East countries have shown a good response to ice cream sales, joining the Pacific basin, Asia and the Arabian Gulf.

Tel Aviv bank raising capital

THE GENERAL Bank of Tel Aviv, founded by Baron Edmond de Rothschild, intends to raise capital for the first time on the Tel Aviv Stock Exchange, writes L. David from Tel Aviv. It plans to issue shares and options to the value of 1250m.

The bank's profit in 1977 increased by 76 per cent to 165.5m. (about \$406,000) while shareholders received an 18 per cent cash dividend plus bonus shares at the rate of 20 per cent.

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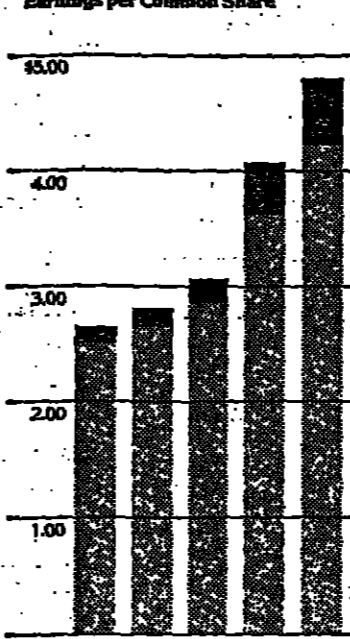
REPORT TO INVESTORS from a company called TRW

TRW Reports Record 1977 Results. Expects Continued Growth in 1978

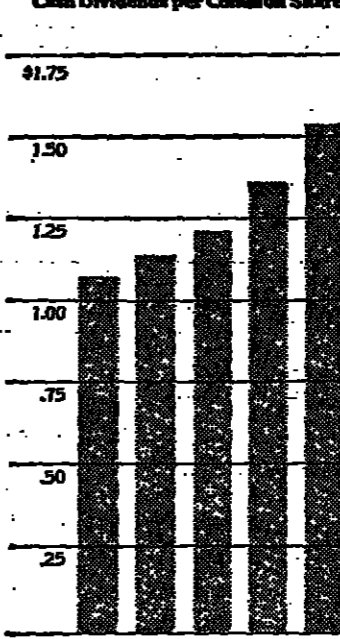
FINANCIAL HIGHLIGHTS (U.S. dollar amounts in millions except per share data)		
	1977	1976 (Restated)
Sales	\$ 3,263.9	\$ 2,929.0
Pre-Tax Profit	292.3	240.3
Net Earnings	154.2	132.2
Earnings Per Share		
Fully Diluted	4.21	3.60
Primary	4.77	4.02
Dividends Per Common Share	1.55	1.35
Outstanding Common Stock	28,180,000	27,628,000
Shares Used in Computing Per Share Amounts		
Fully Diluted	36,689,000	36,701,000
Primary	28,671,000	28,513,000

Restated to reflect adoption of U.S. Financial Accounting Standards Board Statement #13 Accounting for Leases.

Earnings per Common Share

Fully diluted earnings per share.
Primary earnings per share.

Cash Dividends per Common Share



TRW Inc., an international supplier of high-technology products and services, reports record sales, earnings and earnings per share for 1977.

Sales reached U.S. \$3.26 billion, an 11.4% increase compared with U.S. \$2.93 billion in 1976. Net earnings totaled U.S. \$154.2 million, 16.7% higher than the U.S. \$132.2 million (restated) reported in 1976. Fully diluted earnings per share totaled U.S. \$4.21 versus U.S. \$3.60 (restated) in 1976 while primary earnings per share were U.S. \$4.77 compared with U.S. \$4.02 (restated) last year. These are increases of 16.9% and 18.7% respectively.

Total cash dividends paid to common shareholders in 1977 amounted to U.S. \$1.55 per share, an increase of 14.8% over the U.S. \$1.35 per share paid in 1976.

Return on shareholders' investment improved to 17.6% in 1977 from 16.7% in 1976. Return on assets employed increased to 12.9% in 1977 from 11.9% in 1976. The company has among its goals a 20% return on shareholders' equity and a 15% return on assets employed.

Each of TRW's major business segments—car and truck, electronics and space systems, and industrial and energy—contributed to 1977's record results and are expected to show continued growth in 1978.

If you would like further information on TRW, please write for a copy of our 1977 annual report: TRW Europe Inc. 25 St. James's Street London SW1A-1HA

A COMPANY CALLED
TRW

Grindlays Holdings Limited

The Annual General Meeting of Grindlays Holdings Limited was held on Tuesday 25 April. The Company owns 51% of the shares of Grindlays Bank Limited and is quoted on The Stock Exchange, London. The information given below refers to Grindlays Bank and its results for 1977.

Grindlays

A name you can bank on around the world

In his statement as Chairman of Grindlays Bank Mr. N. J. Robson says:

"In 1977 there has been continued progress in expanding the international business and strengthening it in a number of important ways both in London and overseas."

"Much has been achieved in 1977 and it is right to continue to be confident about the outlook for this group with its wide spread of business."



Grindlays
Bank
Group

25 St. James's Street, London EC3P 3EP

FIXED INTEREST STOCKS

A bull market in South Africa

BY RICHARD STEWART IN JOHANNESBURG

THE BULL market in South African gilts and semi-gilts is continuing unabated. Last week, the prime semi-gilt borrower came to the market for 360m. at an all-in rate of 11.4 per cent, a full percentage point over the rate ruling nine months ago.

The offer attracted R90m. of underwriting from institutions and over R120m. of subscriptions. Escrow is the benchmark from which other public utilities and municipalities fix their rates. The weight of demand from local institutions is forcing the rate of concern against the long-term Government stock rate of 0.75 per cent, reducing the normal risk spread and putting pressure on the Government to reduce rates.

For an economy which is deep into its fourth year of recession, South Africa's internal interest rates structure is out of line with domestic economic needs. This is because the Government is being forced to follow a policy of high internal interest rates in

order to protect the foreign exchange reserves. The crucial factor dictating this policy is the cost of trade finance.

It is seen as essential that the cost of financing international trade be kept more expensive internally so as to prevent a switching from foreign to local sources. The gap between financing trade in dollars and in Rand is now down to 1 per cent. The lowest margin that the Reserve Bank can comfortably live with.

With the rates in the U.S. firm, there is little chance of the authorities being able to relax their tight external interest rate policy. Pressure for it to do this has been strengthened since the beginning of the month by a seasonal rise in Government spending, which is forcing short-term interest rates lower.

The Government's financial year ends in March and payments are often withheld until the first quarter of the new financial year. This is a seasonal factor

which the money market has come to expect, but on this occasion, because of the fine margin between external and internal rates, the Reserve Bank has its hands full mopping up liquidity through open market operations.

The relatively high short-term interest rates have the effect of putting a floor under long-term rates. The result is that institutional investors seeing long-term rates bolstered are finding gilts and semi-gilts the most attractive form of investment available.

A symptom of the demand is heavy forward buying. This has been in evidence for the past nine months and is continuing. The general expectation is that the Escrow rate must go as low as 11 per cent within the next two months, and already Escrow has shaved 0.1 per cent off the rate at which it sells its stock into the secondary market, from the 11.4 per cent it offered last week.

The next Government stock issue is due in mid-May, and the

Government is expected to come out at 10.5 per cent, against 10.75 per cent previously. Escrow has seldom been within 0.5 per cent of the Government rate.

Political pressures are the primary reasons for the delicate state of the foreign reserves. The Reserve Bank is now in the situation of seeing domestic trends in short-term U.S. interest rates playing a dominant role in determining its own domestic policy.

Left to their own devices, there is no doubt that both short and long term rates would fall quite dramatically.

Meanwhile, with the life assurance and pension funds stocking up on fixed interest issues, often well in excess of statutory requirements, the equity market is being largely neglected.

Although the argument that the weight of funds available should ultimately force equities higher still holds, there is a marked reluctance to adopt a more aggressive buying strategy.

FARMING AND RAW MATERIALS

Wrangle over wine holds up farm price talks

By MARGARET VAN HATTEN

THE BIG QUESTION hanging over EEC Agriculture Ministers' meeting in the annual farm price review here today is whether Italy and France can resolve their differences on wine in time to permit settlement of the overall package this week.

The ministers today abandoned normal discussions and spent the day in bilateral talks trying to establish to what extent the remaining differences are merely bargaining positions.

Mr. Paul Delsager, the Danish Minister sitting as President of the Council, and Mr. Finn Olav Gundelach, the Agriculture Commissioner, met individually with several of the ministers during the day. A tripartite meeting between Mr. Gundelach and the French and Italian ministers, is expected to take place tonight.

At this stage, however, prospects of an early reconciliation in wine do not appear promising. Mr. Giovanni Marcora, the Italian Minister, indicated earlier today that he would like a hard day's work.

It is determined that any concession to France over a minimum price for wine, which would curb Italian exports to France, should be offset by gains elsewhere in the Mediterranean package and by the setting of a higher price for wine set aside for distillation.

The French already resent this

LUXEMBOURG, April 25

promise, a traditional part of the price review, is also traditionally rejected. It aims to clarify issues and open the way for the final bout of hard bargaining.

The Danes made no proposals on the overall level of price increases, but specific proposals in other key areas. These include:

Sugar—the "B" quota for 1978-79 should be set at 25 per cent of the basic quota, but those countries which have already used their "B" quota (France and Belgium) should be given a supplementary quota to be fixed later. The 1979-80 "B" quota should be fixed at 20 per cent.

Milk—The co-responsibility levy should be reduced between October 1, 1978, and March 31, 1979, to 10 per cent of the skimmed milk powder should be suspended during this period according to Commission proposals, but may be reintroduced should the market situation so require.

The guide price for beef should be increased by 2 per cent, instead of 1.25 per cent, as proposed by the Commission.

Potatoes—The Council should agree to take an early decision on a potato regime but this would not be included in the price package. Similarly, decisions on establishing a sheepmeat regime should be shelved until an undetermined date.

Bid to raise potato price abandoned

By Our Commodities Staff

THE GOVERNMENT has abandoned its attempt to force up the price of potatoes by holding stocks of the market.

The Ministry of Agriculture announced yesterday that the policy of releasing potatoes only in special cases was to be relaxed and that a "more general release on to the normal market" should be allowed.

The Government has about 500,000 tonnes of potatoes at its disposal. Farmers are understood to hold a similar tonnage.

The Treasury could face a bill of about £25m. in market support payments to farmers as a result of the move.

Growers are guaranteed around £45 a tonne for their potatoes, but open market prices have been well below this for most of the past season.

The Potato Marketing Board, which has about £4.5m. in its special reserve fund, is responsible for paying a third of the support bill.

A Ministry of Agriculture statement commented that, although the move should make more potatoes available, the rate of release on to the market would still be controlled.

New bacon pig contract

By Our Commodities Staff

FMC yesterday announced the introduction of a new bacon pig contract for 1978-79, which it claims provides significant improvements for producers.

Under the new contract, producers and curers will share equally the calculated differences between bacon prices and the average all pigs prices.

"At the same time the minimum guaranteed price for A1 grade pigs has been increased to 0.40 a kilo above the average all pigs price."

The National Farmers Union welcomed the new contract as a "step in the right direction."

COTTON OUTPUT UP IN ARGENTINA

BUENOS AIRES, April 24

Argentine raw cotton production will reach 570,000 tonnes this year, from 522,000 tonnes in 1976-77, according to the Agriculture Department.

The current crop will be 21.3 per cent higher than the average output of the last five years and 43.1 per cent higher than the average for the last ten years.

Reuter

BRAZILIAN AGRICULTURE

Drought only one of many blights

BY SUE BRANFORD IN SAO PAULO

BRAZIL'S SERIES of lucky breaks with its agricultural exports has come to an end this year. Unlike the severe frosts in July 1976, which turned out to be a blessing in disguise, thanks to their impact on world coffee prices, this year's drought is an unmitigated misfortune.

It has mainly affected crops such as rice, maize, beans and wheat, which are largely or exclusively cultivated for domestic consumption. It has also brought down soybean harvest from an expected 13m. tonnes to 9m. tonnes, or even less, if the farmers are to be believed.

These reductions will have a serious impact on the country's trade balance. With exports last year of 2.6m. tonnes of beans, 5.3m. tonnes of meat and 502,000 tonnes of oil, the "soy complex" brought in a U.S.\$2.1bn.

This year, as a result of the fall in crops, export quotas have been brought down to 800,000 tonnes of beans, 3.8m. tonnes of meat and 220,000 tonnes of oil. Government officials expect these exports will bring in about \$1bn.—down 50 per cent on last year.

Fortuitous

Moreover, other disappointing harvests may make it necessary for the Government to increase its wheat imports to 4.2m. tonnes, with an outlay of \$500m. instead of exporting maize as normal, to import perhaps 1m. tonnes, at a cost of about \$130m.

Over the last couple of years the excellent export performance of three crops—coffee, soy and sugar—has been the mainstay of Brazil out of a difficult balance of payments position into a relatively comfortable one. Total export earnings from these three products more than doubled, from \$2.5bn. in 1976 to \$5.4bn. in 1977.

Export prospects for all three products are less good this year, the trick will not be repeated. The unexpected increase in agricultural imports will

aggravate the situation. No-one changes a winning team, so not unexpectedly, it is only this year that much attention has been given to outspoken criticisms of the Government's farming policies. Government officials, surprisingly, have been in the forefront. Sr. Paulo Viana, president of the important Government body, CFP (Production Financing Commission), claimed recently that only 40 per cent of the crop failures this year could be attributed to the drought.

It is thus hardly surprising that a sizeable proportion of these resources finds its way back to the money market, or, alternatively, is used to finance the purchase of future land, which is the key to obtaining more cheap credit. Sr. Rischbieter said that this vicious circle, which feeds inflation and keeps the money from ever reaching the land, must be broken.

Small measures towards controlling abuses have been taken. This year the value of rural loans was increased by only 32 per cent to Cr\$307m. (\$18m.). This is less than the going rate of inflation and well below last year's rise of 44 per cent. Loans for soybeans and rice were suspended for a short period this year and resumed later on tighter terms and with most repayment periods reduced from seven to five months.

Radical

Many observers, however, are calling for much more radical changes. They point out that the present system concentrates assistance at the beginning of the farming process by providing cheap loans for fertiliser, tractors and other inputs. As well as being open to abuse, this system is at present only being used by 11 per cent of farmers, nearly all wealthy owners of large estates. The mass of small farmers who do not satisfy the complicated, bureaucratic requirements, do not have access to the cheap money.

Agronomists have christened this form of agricultural modernisation "the Prussian way."

Cane producers seek better deal

By CHRISTOPHER PARKES

THE AFRICAN, Caribbean and Pacific cane sugar producers, who supply 1.5m. tonnes a year to the Common Market, complained yesterday that they had been deprived of their right to negotiate prices with the EEC.

Last year, for example, they were offered only the bottom price of the range applying to beet sugar produced inside the EEC, according to Mr. Raymond Chasle, the Mauritanian ambassador to the Community.

Mr. Chasle rejected charges that ACP cane growers were to blame for the Common Market's sugar surplus, which this year may reach 3.8m. tonnes. He said cane producers had not increased their acreage for 25 years, while EEC farmers planted more sugar beet each year.

He produced figures showing that while the EEC price for raw sugar had risen almost 12 per cent, the price guaranteed to ACP suppliers for cane raws had gone up less than 7 per cent.

Speaking for the 14-member ACP Council of Ministers, Mr. Chasle said he had sent the EEC Commission a memorandum detailing the cane growers' difficulties.

He stressed that, although the cane producers felt that they had legitimate grounds for complaint, there was no truth in reports that they would be willing to see the sugar agreement scrapped.

"In the past the ACP ministers have been deprived of the real right to negotiate," Mr. Chasle said. "But last year it was agreed that this year they would have real room to manoeuvre."

A take-it-or-leave-it offer of a price predetermined by the EEC would be unacceptable to the cane growing countries.

"This time we insist that the negotiated price should reflect the guaranteed EEC price for freight costs," Mr. Chasle added. Transport of sugar to Europe cost between £11 and £9 a tonne, he claimed.

The ACP Ministers are running a round-Europe publicity

campaign at present to "sensitise" public opinion. Mr. Chasle said. There was no question of them seeking a price which would give their growers more than the European beet farmers received.

A price somewhere between the highest and lowest paid in the EEC though would be fair. Negotiations on the price to be paid for the new season's cane sugar cannot begin until the EEC has agreed its own farm price increases for 1978-79. Talks are going on now in Brussels, but they are unlikely to end with much more than a 2 or 3 per cent price rise for European beet farmers.

In such circumstances, the cane producers' negotiators would be hard-pressed to win a bigger increase for their exports.

● In London yesterday morning the daily price for raw sugar was set £1 lower at £103 a tonne. During early trading on the London market world prices climbed on unconfirmed reports that Iran had bought Brazilian sugar.

Coffee producers lift export ban

By JOHN EDWARDS, COMMODITIES EDITOR

COFFEE PRICES eased yesterday when it became known that Central American producers of "other milks" had started exporting again, lifting the recent ban on sales imposed by the hope of forcing market prices higher.

London robust futures prices were held up by the fall in sterling and arbitrage with New York, but Arabica values were held back.

A resumption of exports had already been discounted by the market to a large extent. However, London dealers said there

appeared to be little control over selling policies and it is anticipated that in their eagerness to export, the producers may become involved in a competitive price war.

Officially, exports by the group of other milk coffee producers to 30 per cent of stocks held, but there appears to be no mechanism for "policing" the sales.

At the same time prices quoted are reported to differ widely, with some countries fixing a minimum selling level while others have not.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Barrel changed on balance from 100 to 101 on the London Metal Exchange. The weakness of sterling against the dollar and the fall in the price of oil have led to a fall in the price of copper. However, the price of copper is still higher than it was at the start of the year. The price of copper is still higher than it was at the start of the year.

LEAD—Marginal increase. Values moved in line with the trend in copper. The price of lead is still higher than it was at the start of the year.

ZINC—Marginal increase. Values moved in line with the trend in copper. The price of zinc is still higher than it was at the start of the year.

GRAINS

WHEAT—London futures (GAPFA)—0.01 crop which started trading at 0.01 higher, but a lack of interest forced values down to 0.01 lower, where good response was seen. The price of wheat is still higher than it was at the start of the year.

BARLEY—London futures (GAPFA)—0.01 crop which started trading at 0.01 higher, but a lack of interest forced values down to 0.01 lower, where good response was seen. The price of barley is still higher than it was at the start of the year.

RUBBER

Latex and Lysle exchange prices for standard white rubber trade and 100.00 (100.00) for export.

Latex—London futures (GAPFA)—0.01 crop which started trading at 0.01 higher, but a lack of interest forced values down to 0.01 lower, where good response was seen. The price of latex is still higher than it was at the start of the year.

PRICE CHANGES

Prices per tonne unless otherwise stated.

Commodity	Unit	Price
Aluminium	tonne	£1,100.00
Copper	tonne	£1,100.00
Gold	ounce	£1,100.00
Iron	tonne	£1,100.00
Lead	tonne	£1,100.00
Nickel	tonne	£1,100.00
Platinum	ounce	£1,100.00
Silver	ounce	£1,100.00
Tin	tonne	£1,100.00
Zinc	tonne	£1,100.00

BUILDING SOCIETY INTEREST RATES

GREENWICH BUILDING SOCIETY

15, 17, 19, 21, 23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43, 45, 47, 49, 51, 53, 55, 57, 59, 61, 63, 65, 67, 69, 71, 73, 75, 77, 79, 81, 83, 85, 87, 89, 91, 93, 95, 97, 99, 101, 103, 105, 107, 109, 111, 113, 115, 117, 119, 121, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, 163, 165, 167, 169, 171, 173, 175, 177, 179, 181, 183, 185, 187, 189, 191, 193, 195, 197, 199, 201, 203, 205, 207, 209, 211, 213, 215, 217, 219, 221, 223, 225, 227, 229, 231, 233, 235, 237, 239, 241, 243, 245, 247, 249, 251, 253, 255, 257, 259, 261, 263, 265, 267, 269, 271, 273, 275, 277, 279, 281, 283, 285, 287, 289, 291, 293, 295, 297, 299, 301, 303, 305, 307, 309, 311, 313, 315, 317, 319, 321, 323, 325, 327, 329, 331, 333, 335, 337, 339, 341, 343, 345, 347, 349, 351, 353, 355, 357, 359, 361, 363, 365, 367, 369, 371, 373, 375, 377, 379, 381, 383, 385, 387, 389, 391, 393, 395, 397, 399, 401, 403, 405, 407, 409, 411, 413, 415, 417, 419, 421, 423, 425, 427, 429, 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16%	GATX	21%		\$2.50
10%	Gen. Elec. \$35	40%		\$2.75
10%	General \$2	29%		\$1.20
25%	Honeywell \$1.50	44%		\$1.90
78	Hutton \$F 1	12%		\$0.68
172	I.B.M. Corp. \$1	204%		\$11.52
10%	Int'l. Bus. \$2	29%		\$1.20
10%	Int'l. Systems & Com. \$1	14%		25c
10%	I.T.I. International	96%		90c
16%	Kaiser Al. \$1	26%		\$1.60
10%	Kaiser Steel \$27.50	26%		\$1.60
26%	Morgan J.P. \$382.5	37%		\$2.20
12%	Norfolk S. \$1	15%		75c
14%	Occidental \$1	29%		\$1.20
14%	Quaker Oats \$335	17%		\$1.04
16%	Realtor \$0.25	26		15c
14%	Rex. N.Y. Corp. \$5	25%		\$1.00
23%	Singer \$1.00	17%		90c
23%	Smith, Mottl \$14	19%		90c
23%	SWB (F 1)	55%	+10	90c
22%	Sperry Rand \$1	30%		50c
22%	Tecumseh \$0.50	30%		\$1.12
22%	Perry Ltd. \$4	25%		\$1.80
13%	Union Carbide \$1	25%		\$1.00
13%	U.S. Teles. \$1.95	15%	-2	10%
13%	Wm. F. & O. \$90	74%		\$1.50
13%	Western Union	34%		\$1.50
13%	Time Inc.	34%		\$1.50
21%	Transamerica \$1	12%		80c
21%	Del Tech \$USS	34%		\$2.00
21%	U.S. Steel \$1	34%		\$2.00
28%	Woolworth \$2	16%		\$1.40
28%	Xerox Corp. \$1	17%		\$2.00
28%	Yale \$1	12%		80c
28%	Yale Corp. \$5c	12%		80c

